

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
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## **INTAKE PACKAGE**

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## **MORTGAGE LOAN - FEASIBILITY, COMMITMENT and INITIAL CLOSING GUIDELINES**

For development proposals being processed under the "Fast Track" method, management agents are required to submit the items from each phase described below at one time. Under the "Fast Track" method, the feasibility, commitment and initial closing phases are combined, and the feasibility and commitment budgets are one.

For all other development proposals the management agent must complete and submit items from each phase separately.

### **PHASE I. - MORTGAGE LOAN FEASIBILITY:**

The Office of Asset Management's Feasibility process requires the submission and approval of the following items:

- Feasibility Budget
- Budget Comparable Form
- Amenities Checklist
- Agent Qualification Data Application

#### **Feasibility Budget**

The Agent and the Owner must develop the operating expenses for the proposed development. Enclosed is a copy of MSHDA's #450 Budget format and instructions (Exhibit A). Please use this format for submission of the feasibility budget proposal.

#### **Budget Comparables Form**

At least three budget comparables must be given, using the format provided (Exhibit B). This information will help determine if performance is above, below or within the minimum and maximum ranges of MSHDA's analysis.

#### **Amenities Checklist**

Included in the Intake Package is an Amenities Checklist (Exhibit C), which requires completion as it relates to the proposed development. A review of competitive development amenities should be made to determine the level of amenities for the proposed development.

#### **Agent Qualification Data Application**

The Agent Qualification Data Application and Exhibit Requirements (Exhibit D) are required of all agents that do not have prior Authority approval, or are not currently managing an Authority-

financed development. If the proposed management agent is currently managing Authority-financed developments, it is not necessary to complete the application.

## **PHASE II. - MORTGAGE LOAN COMMITMENT:**

The Office of Asset Management's Commitment process requires the submission and approval of the following items:

- Marketing and Equipment/Furnishings Budget
- Commitment Budget
- Tenant Selection Criteria

### **Marketing and Equipment/Furnishings Budget**

The Marketing and Equipment/Furnishings Budget must be prepared utilizing Exhibit E. The Marketing Budget will project the costs of marketing the housing development during the initial lease up. The Equipment and Furnishings Budget will project the cost of initially furnishing, and providing equipment for, the proposed development. Detailed notes, including mathematical computations, and supportive documents must be included for each line item of the budget.

### **Commitment Budget**

At Mortgage Loan Commitment the operating budget must be finalized, and will be incorporated as the first full year operating budget. Reviewing the architectural plans, and attending Design Review Meetings between feasibility and commitment, will help to finalize the budget. Once the budget is completed, an officer of the Agent, and the owner should sign and submit the budget.

### **Tenant Selection Criteria**

The management agent must develop and submit job specific tenant selection and eligibility criteria, and waiting list procedures.

## **PHASE III. - INITIAL CLOSING:**

The Office of Asset Management's Initial Closing process requires the submission and approval of the following enclosed documents:

- Management Agreement (three original copies)
- Certification of Owner and Management Agent (three original copies)
- Power of Attorney (one copy)
- Marketing Agreement (three original copies)

## INSTRUCTIONS FOR COMPLETING MSHDA FORM #450 -1 FOR ALL MSHDA-FINANCED DEVELOPMENTS

These instructions are offered as a guide to your staff for preparing the Feasibility/Commitment Budgets on MSHDA-financed developments. **Detailed notes, including mathematical computations, and supportive documents must be included for each line item of the budget. All contracts or estimates provided by the service provider that were used to calculate the expense items must also be included with the budget package submission.** Budgets must be prepared by the management agent and submitted to the Authority on MSHDA Form #450-1 utilizing the instructions outlined below:

**COLUMN 1 - BUDGET PROJECTIONS:** This column should reflect the management agent's proposed operating budget. The amount entered should reflect your estimate of the anticipated income and expenses.

**COLUMN 2 - COST PER UNIT:** This column should be calculated by dividing the amount proposed in Column 1 by the number of units.

**COLUMN 3 - ADJUSTMENTS BY MSHDA:** Leave blank. MSHDA staff budget adjustments will be recorded in this column.

**COLUMN 4 - MSHDA APPROVED BUDGET:** Leave blank. MSHDA-approved budget amounts will be recorded in this column.

**COLUMN 5 - COST PER UNIT:** Leave blank. MSHDA-approved per unit per year budget amounts will be recorded in this column.

### **EXPENDITURES**

The Authority recognizes that each management agent classifies and records certain expenses as either routine maintenance expenses (non-depreciable) or capital expenditures (depreciable). The method of depreciation and rationale for classification will be left to the discretion of each management agent as long as standard accounting principles and practices are followed. However, once an item has been classified as either non-depreciable or depreciable, it must be reported as such. Changing accounting methods and practices within an established fiscal period or periods is not allowed without formal declaration as required by IRS regulations.

Non-depreciable operating and maintenance items must be budgeted in Lines 11 through 15 of the budget. Depreciable items or capital expenditures must be budgeted in Lines 20 a-f of the budget.

**NOTE: Congregate care service expenditures cannot be budgeted.**

**LINE 4a MANAGEMENT FEES** - Cannot exceed **\$355.00** PUPY times the total number of units in the development. The management agreement for a particular development may establish a lower rate.

**LINE 4b PREMIUM MANAGEMENT FEES** - Leave blank. Cannot exceed \$50 PUPY. The Authority must approve the premium management fee before it can be disbursed. Do not include the cost of Employer Payroll Taxes, fringe benefits or Worker's Compensation in this line item.

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**LINE 5a**      **ADVERTISING** - Include costs of development advertising through newspapers, radio, television, exhibits, leaflets, brochures, signs, banners, etc. as well as advertising for staff vacancies.

**LINE 5b**      **MARKETING PAYROLL** - Include the gross salaries of staff used exclusively for marketing or commissions paid to outside agents.

**LINE 5c**      **OTHER** - Include resident referral and other marketing fees or costs.

**LINE 6**      **LEGAL EXPENSE** - Include the cost of professional services relating to the development's operations; i.e. serving notices, bonding, eviction proceedings, real estate tax appeals, etc..

**NOTE:**      **The cost of the Legal Opinion Letter required for the Annual Certified Audit cannot be included in this line item.**

Supportive documents should clearly establish the average number of cases expected during the forthcoming year.

**LINE 7a**      **ADMINISTRATIVE PAYROLL** - Include the gross salaries of all full and part-time office staff, including the human services coordinator. Each employee's salary must be listed separately.

**LINE 7b**      **TEMPORARY ADMINISTRATIVE SERVICES** - Include the cost of employment agency administrative staff rather than development-paid staff.

**LINE 7c**      **EMPLOYEE PENSION PLANS** - Include the cost of the employer's contribution for Authority-approved pension plans for fully-vested, on-site staff, as well as the cost of auditing these pension plans.. **Evidence of authority approval must be submitted with the budget.**

**LINE 7d**      **EMPLOYER PAYROLL TAXES** - Include the employer's portion of FICA, FUTA and Unemployment Agency payments for all on-site employees:

Also include the taxes paid by the employer on behalf of marketing staff (5b), administrative staff (7a), maintenance staff (11a), janitorial staff (12a), grounds staff (13a) and security staff (15d).

The cost of an unemployment tax audit must be included in this line item.

**LINE 7e**      **TAXES OTHER** - Include the development's Single Business Tax and any other development-related taxes (except Real Estate Taxes). The Single Business Tax figure is based on the estimated tax return of the development for the budget year.

**LINE 7f**      **TELEPHONE** - Include local and long distance telephone charges, telephone equipment rental and internet charges. Development-related pager and cellular telephone charges made by on site staff are eligible expenses..

**LINE 7g**      **OFFICE** - Include the cost of office supplies, computer maintenance and non-capitalized office equipment and development-specific computer software.

**LINE 7h**      **AUDITING** - Include the cost of a required annual certified audit. The cost of the Annual Certified Audit's legal opinion letter must be included in this line item.

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**LINE 7i CREDIT REPORTS** - Include the cost of resident credit reports, home visits and criminal checks.

**LINE 7j HUMAN SERVICES PROGRAM** - Include the cost of Human Services Programs that directly benefit the residents; i.e. holiday dinners, parties, teen activities, cable TV, toddler programs and recreation/entertainment-related activities.

**LINE 7k MISCELLANEOUS ADMINISTRATIVE** - Include the cost of newsletters, coffee, Low Income Housing Tax Credit Fees, approved seminars or training sessions for on-site employees, charitable contributions and other items provided to residents not included in human services; Tax Credit monitoring fee; mileage for on - site staff.

**LINE 8 ELECTRICITY** - Include the estimated cost of electric usage based on current rates provided by the local utility company.

**LINE 9 WATER & SEWER** - Include the cost for the estimated water & sewage usage based on current rates.

**LINE 10 FUEL** - Include the estimated cost of fuel usage based on current rates provided by the local utility company.

Utility costs should take into account whether energy conservation measures will be undertaken to reduce utility expense. If irrigation systems are planned for next year, water costs will no doubt need to be increased.

**LINE 11a MAINTENANCE PAYROLL** - Include the gross salary of full and part-time maintenance staff; i.e. pool attendants and others performing maintenance-related work. List each employee's salary separately.

**LINE 11b TEMPORARY MAINTENANCE SERVICES** - Include the cost of employment agency maintenance staff rather than development-paid staff.

**LINE 12a JANITORIAL PAYROLL** - Include the gross salary of full and part-time janitorial staff for both unit and common area cleaning. List each employee's salary separately.

**LINE 12b JANITORIAL SUPPLIES** - Include the cost of supplies related to regular janitorial maintenance; i.e. detergents, cleaning compounds, disinfectants, brooms, mops, toilet paper, light bulbs, etc.

**LINE 13a GROUNDS MAINTENANCE PAYROLL** - Include the gross salary of full and part-time grounds staff. List each employee's salary separately.

**LINE 13b TEMPORARY GROUNDS SERVICES** - Include the cost of employment agency contractual grounds staff rather than development-paid staff.

**LINE 13c SNOW REMOVAL** - Include the cost of snow removal contracts and/or supplies and non-capitalized equipment related to the removal of snow and ice.

**LINE 13d LAWN MAINTENANCE** - Include the cost of lawn care contracts and/or supplies related to on-site lawn maintenance; i.e. trees, fertilizer, weed killers, shrub and lawn trimming, and all

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other non-capitalized items related to grounds maintenance.

**LINE 13e**      **PARKING LOT/CONCRETE REPAIRS** - Include the cost of routine maintenance and upkeep of the parking lot, sidewalks, concrete; i.e. contracted cleaning, sealing/stripping, etc.

**LINE 14a**      **PAINTING UNITS** - Include the cost of unit turnover and cycle contracted painting, non-capitalized wall papering, painting supplies, wallpaper and paint removing material, etc.

**LINE 14b**      **CLEANING UNITS** - Include the cost of contractual vacated unit cleaning (not janitorial staff).

**LINE 14c**      **HEATING AND AIR CONDITIONING** - Include the cost of unit or common area costs for boiler inspection, non-capitalized replacements and repairs or service contracts for heating and air conditioning equipment.

**LINE 14d**      **PLUMBING** - Include the cost of unit or common area costs for maintenance contracts for plumbing, routine plumbing maintenance supplies, non-capitalized replacements or repairs and any scheduled payments for calling in a plumber.

**LINE 14e**      **ELECTRICAL** - Include the cost of unit or common area costs for maintenance contracts for electrical repairs, non-capitalized interior lighting replacements or repairs, routine electrical maintenance supplies, and any scheduled payments for calling in an electrician.

**LINE 14f**      **POOL MAINTENANCE** - Include the cost of maintenance contracts for pool repairs, non-capitalized routine pool maintenance equipment and supplies, and any scheduled payments for calling in a pool repair person.

**LINE 14g**      **ELEVATOR** - Include the cost of maintenance contracts for elevator repairs, non-capitalized routine elevator maintenance supplies, and any scheduled payments for calling in an elevator repair person.

**LINE 14h**      **EXTERIOR CYCLE PAINTING/WATERPROOFING** - Include the cost of non-capitalized exterior cycle painting and waterproofing costs.

Exterior cycle painting should take place approximately once every five years. Therefore, 20% of the estimated cost should be escrowed each year with the Authority, and shown on LINE 16e, in order to assure that funds generated by the increased rents are used for their intended purpose. Record on this line only the anticipated cost of exterior cycle painting to be completed this budget year.

**LINE 14i**      **COMMON AREA COSTS** - Include the cost of non-capitalized common area repairs, painting, renovation, cleaning or replacement costs.

**LINE 14j**      **OTHER** - Include the cost of non-capitalized unit costs; i.e. doors, floor coverings, glass and screens, parts or repairs made to drywall, countertops, appliances, sinks, tubs, toilets; and maintenance supplies, etc. and any other unit contractual costs not specifically identified elsewhere.

**LINE 15a**      **VEHICLE & EQUIPMENT OPERATING EXPENSE** - Include the cost of vehicle and equipment operating expenses such as permits, rentals, licenses, gasoline, oil, lubricants, and upkeep of vehicles and equipment; millage cost for maintenance staff.

**LINE 15b**      **EXTERMINATING** - Include the cost of exterminating contracts and, when applicable, supplies and equipment for use by on-site staff.

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**LINE 15c RUBBISH REMOVAL** - Include the contract amount for all rubbish removal.

**LINE 15d SECURITY PAYROLL** - Include the cost of a contracted security service or the gross salaries of security staff.

**LINE 15e OTHER** - Include the cost of non-capitalized security-related items; i.e. fire extinguishers, smoke detectors, monitoring charges; uniforms; city inspection fees and permits; and miscellaneous operating expenses; non-capitalized exterior costs.

**NOTE:** All expenses associated with the development's MSHDA security loan must be identified in the appropriate budget line item(s).

**LINE 16a REAL ESTATE TAX ESCROW** - Include the cost of a real estate tax assessment or the payment in lieu of taxes. The payment in lieu of taxes may be calculated as a certain percentage of net rent, less development paid utilities.

**LINE 16b PROPERTY & LIABILITY INSURANCE** - Include the cost of property liability insurance coverage only.

**LINE 16c REPLACEMENT RESERVE** - The first year deposit to the replacement reserve for all new construction proposals will be equal to \$200 per unit, expressed as a percentage of rent and increasing as rent increases. The first year deposit to replacement reserve for all proposals involving rehabilitation will be equal to \$300 per unit.

**LINE 16d LOAN REPAYMENT** - Include repayment of loans from all reserve accounts, repayable energy loans, owner advances, etc.

**LINE 16e OTHER** - Include the amount of payment for special MSHDA-held reserve accounts; i.e. exterior painting/staining, asphalt, etc.

**LINE 17a & b MORTGAGE INTEREST & PRINCIPAL** - Leave blank. MSHDA will require a debt coverage ratio of 1.1 defined as the ratio of net operating income to fully amortizing debt service requirements. The definition of debt coverage in the Recommended Practices shall be adopted. For RHS developments, the 1.05 debt coverage ratio will be adopted.

**LINE 17c TRUSTEE BOND FEES** - Leave blank. This line item expense includes Section 8 Preservation Pass Through Program bond trustee fees.

**LINE 18a EMPLOYEE HEALTH BENEFITS** - Include the development's contribution for staff hospitalization, dental and vision insurance; flexible spending accounts, etc.

**LINE 18b WORKER'S COMPENSATION** - Include Worker's Disability Compensation Insurance and the cost of the Worker's Compensation audit. The cost of the worker's compensation is determined by multiplying the percentage cost of worker's compensation (supplied by MESC) by the gross salary of each employee or employee group. This percentage varies depending on the job classification of the employee.

**LINE 18c OTHER** - Include vehicle and equipment insurance, employee discrimination insurance, fidelity bond coverage where allowed under the Authority's fidelity bond policy and any other Authority-approved insurance costs not currently being escrowed.

**LINE 19 ALLOWABLE DISTRIBUTIONS** - Include L. D. Payments and Pass Through Program non-profit distributions pursuant to the terms of the Regulatory Agreement.

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The budget can show \$-0- for the L. D. Payment if:

- Rents are already prohibitively high for the market;
- Development is owned by a non-profit; or
- the for-profit does not intend to pay an L.D. Payment.

Do not budget L.D. Payments when Small Size/Security loans are budgeted. However, L. D. Payments may be approved if surplus funds beyond loan disbursements are realized at year end.

Do not budget more than one year's annual L.D. amount.

**LINE 20a LAND IMPROVEMENTS** - Include capitalized improvements directly related to or added to the land; i.e. sidewalks, roads, fences, landscaping shrubs and trees, lawn sprinkler system, playground equipment, etc.

**LINE 20b BUILDING & COMPONENTS** - Include capitalized major structural repairs or additions; i.e. decks, awnings siding, roofs, doors, windows, storage sheds, lighting systems, heating/cooling systems, security systems and equipment, etc. **NOTE: The items listed above must receive prior approval from MSHDA before work commences.**

**LINE 20c MAINTENANCE EQUIPMENT** - Include capitalized trucks, snow removal equipment, lawn mowers, power tools, etc.

**LINE 20d OFFICE EQUIPMENT** - Include capitalized items; i.e. desks, files, computers, development-specific computer software, typewriters, copiers, calculators, communication system equipment, etc.

**LINE 20e FURNITURE & FIXTURES** - include capitalized non-structural components of a building; i.e. appliances, floor covering, tubs, sinks, toilets, air conditioning units, water heaters, window treatments, common area furniture and pictures, etc.

**LINE 20f OTHER** - Include capitalized items not included in the above categories; i.e vans, etc.

**LINE 21 EXCESS INCOME PAYMENT** - Leave blank. Applicable to Section 236 developments only.

**LINE 22 TOTAL EXPENDITURES** - Add LINES 4a through 21.

**LINE 23 INCOME MINUS EXPENDITURES** - Subtract LINE 22 from LINE 3.

## **INCOME**

**LINE 1 GROSS RENT POTENTIAL** - The determination of the gross rent potential is based on program guidelines and MSHDA's Market Research Division.

**LINE 1a VACANCY LOSS** - A minimum vacancy loss estimate of 5% will be required of all developments. For developments in softer markets, as determined and recommended by the Chief Market Analyst, a vacancy loss of up to 7% may be required.

**LINE 1b NON-RENTAL UNIT** - Multiplying the number of non-rental units, times the rental rate, times 12.

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**LINE 1c** **BAD DEBT/FORMER RESIDENTS** - This line item amount will be based on the history of first phase developments for projecting second phase estimates only. Otherwise, leave blank.

**LINE 1d** **MARKETING RENT CONCESSIONS** - This line item figure will be based on the history of first phase developments for projecting second phase estimates only. Otherwise, leave blank.

**LINE 1e** **NET CHANGE IN RECEIVABLES** - Leave blank.

**LINE 1f** **NET CHANGE IN UNEARNED RENTAL INCOME** - Leave blank.

**NET RENT COLLECTED** - Gross Rent Potential minus Lines 1a through 1d.

**LINE 2** **OTHER INCOME**

Income from congregate care services **cannot** be budgeted as Other Income.

**LINE 2a** **REPLACEMENT RESERVE** - Leave blank.

**LINE 2b** **DCE PRINCIPAL** - Leave blank.

**LINE 2c** **DCE INTEREST** - Leave blank.

**LINE 2d** **OPERATING RESERVE CASH** - Leave blank.

**LINE 2e** **MISCELLANEOUS SPECIAL ESCROWS** - Leave blank.

**LINE 2f** **ADVANCES** - Leave blank.

**LINE 2g** **LATE CHARGES** - Compute this number based on the late fees collected at a comparable development.

**LINE 2h** **LAUNDRY** - Include all funds received from laundry usage.

**LINE 2i** **COMMERCIAL INCOME** - Include income derived from the rental of commercial space covered by a master lease.

**LINE 2j** **SUBSIDIES/GRANTS** - Include subsidy or grant funds anticipated for the year; i.e. Small Size Loans, Security Loans HODAG or subsidy grants that support the operation of the development.

**LINE 2k** **INTEREST INCOME** - Include income derived from interest earned on savings deposits, investment certificates, security deposits (where applicable) and trustee-held escrow accounts. Do not include interest earned on MSHDA-held reserves.

**LINE 2l** **EXCESS RENTAL INCOME** - Leave blank. Applicable to Section 236 developments only.

**LINE 2m** **OTHER** - Include miscellaneous income; i.e. cable and TV antenna, club house rental, carports, air conditioner unit rentals, non-refundable pet or other fees, application fees, insurance checks, rent from non-ACC'd units, NSF fees, rent from telecommunications tenants, human services programs and sales proceeds.

**LINE 3** **TOTAL INCOME** - Add Net Rent Collected plus Total Other Income.

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|    |  | BUDGET PROJECTIONS | COST PER UNIT | ADJUSTMENTS BY MSHDA | MSHDA APPROVED BUDGET | COST PER UNIT |
|----|--|--------------------|---------------|----------------------|-----------------------|---------------|
| f. | Advances:  |                    |               |                      |                       |               |
| g. | Late Charges:  |                    |               |                      |                       |               |
| h. | Laundry:   |                    |               |                      |                       |               |
| i. | Commercial Income:   |                    |               |                      |                       |               |
| j. | Subsidies/Grants:  |                    |               |                      |                       |               |
| k. | Interest Income:   |                    |               |                      |                       |               |
| l. | Excess Rental Income:  |                    |               |                      |                       |               |
| m. | Other:   |                    |               |                      |                       |               |
|    | Total Other Income:  |                    |               |                      |                       |               |
| 3. | <b>TOTAL INCOME:</b><br>(Net Rent Collected Plus Total Other Income) |                    |               |                      |                       |               |

**EXPENDITURES**

|    |                          |  |  |  |  |  |
|----|--------------------------|--|--|--|--|--|
|    | Administrative           |  |  |  |  |  |
| 4. | <b>Management Fees</b>   |  |  |  |  |  |
| a. | Management Fees:         |  |  |  |  |  |
| b. | Premium Management Fees: |  |  |  |  |  |
|    | Total Management Fees:   |  |  |  |  |  |
| 5. | <b>Marketing</b>         |  |  |  |  |  |
| a. | Advertising:             |  |  |  |  |  |
| b. | Marketing Payroll:       |  |  |  |  |  |
| c. | Other:                   |  |  |  |  |  |
|    | Total Marketing:         |  |  |  |  |  |

|     |                                    | BUDGET PROJECTIONS | COST PER UNIT | ADJUSTMENTS BY MSHDA | MSHDA APPROVED BUDGET | COST PER UNIT |
|-----|------------------------------------|--------------------|---------------|----------------------|-----------------------|---------------|
| 6.  | <i>Legal:</i>                      |                    |               |                      |                       |               |
| 7.  | <i>Other Administrative</i>        |                    |               |                      |                       |               |
| a.  | Administrative Payroll:            |                    |               |                      |                       |               |
| b.  | Temporary Administrative Services: |                    |               |                      |                       |               |
| c.  | Employee Pension Plans:            |                    |               |                      |                       |               |
| d.  | Employer Payroll Taxes:            |                    |               |                      |                       |               |
| e.  | Taxes Other:                       |                    |               |                      |                       |               |
| f.  | Telephone:                         |                    |               |                      |                       |               |
| g.  | Office:                            |                    |               |                      |                       |               |
| h.  | Auditing:                          |                    |               |                      |                       |               |
| i.  | Credit Reports:                    |                    |               |                      |                       |               |
| j.  | Human Services Program:            |                    |               |                      |                       |               |
| k.  | Miscellaneous:                     |                    |               |                      |                       |               |
|     | Total Other Administrative:        |                    |               |                      |                       |               |
|     | Total Administrative:              |                    |               |                      |                       |               |
|     | Utilities                          |                    |               |                      |                       |               |
| 8.  | <i>Electricity:</i>                |                    |               |                      |                       |               |
| 9.  | <i>Water &amp; Sewer:</i>          |                    |               |                      |                       |               |
| 10. | <i>Fuel:</i>                       |                    |               |                      |                       |               |
|     | Total Utilities:                   |                    |               |                      |                       |               |

|                                    |  | BUDGET PROJECTIONS | COST PER UNIT | ADJUSTMENTS BY MSHDA | MSHDA APPROVED BUDGET | COST PER UNIT |
|------------------------------------|--|--------------------|---------------|----------------------|-----------------------|---------------|
| <b>Operating &amp; Maintenance</b> |  |                    |               |                      |                       |               |
| 11.                                | <b>Maintenance</b>                             |                    |               |                      |                       |               |
| a.                                 | Maintenance Payroll:                           |                    |               |                      |                       |               |
| b.                                 | Temporary Maintenance Services:                |                    |               |                      |                       |               |
|                                    | <b>Total Maintenance:</b>                      |                    |               |                      |                       |               |
| 12.                                | <b>Janitorial</b>                              |                    |               |                      |                       |               |
| a.                                 | Janitorial Payroll:                            |                    |               |                      |                       |               |
| b.                                 | Janitorial Supplies:                           |                    |               |                      |                       |               |
|                                    | <b>Total Janitorial:</b>                       |                    |               |                      |                       |               |
| 13.                                | <b>Grounds</b>                                 |                    |               |                      |                       |               |
| a.                                 | Grounds Maintenance Payroll:                   |                    |               |                      |                       |               |
| b.                                 | Temporary Grounds Services:                    |                    |               |                      |                       |               |
| c.                                 | Snow Removal:                                  |                    |               |                      |                       |               |
| d.                                 | Lawn Maintenance:                              |                    |               |                      |                       |               |
| e.                                 | Parking Lot/Concrete Repairs:                  |                    |               |                      |                       |               |
|                                    | <b>Total Grounds:</b>                          |                    |               |                      |                       |               |
| 14.                                | <b>Non-Capitalized Repairs and Maintenance</b> |                    |               |                      |                       |               |
| a.                                 | Painting Units:                                |                    |               |                      |                       |               |
| b.                                 | Cleaning Units:                                |                    |               |                      |                       |               |
| c.                                 | Heating & Air Conditioning:                    |                    |               |                      |                       |               |

|     |  | BUDGET PROJECTIONS | COST PER UNIT | ADJUSTMENTS BY MSHDA | MSHDA APPROVED BUDGET | COST PER UNIT |
|-----|--|--------------------|---------------|----------------------|-----------------------|---------------|
| d.  | Plumbing:                                    |                    |               |                      |                       |               |
| e.  | Electrical:                                  |                    |               |                      |                       |               |
| f.  | Pool Maintenance:                            |                    |               |                      |                       |               |
| g.  | Elevator:                                    |                    |               |                      |                       |               |
| h.  | Exterior Cycle Painting/Waterproofing:       |                    |               |                      |                       |               |
| i.  | Common Area Costs:                           |                    |               |                      |                       |               |
| j.  | Other:                                       |                    |               |                      |                       |               |
|     | Total Non-Capitalized Repairs & Maintenance: |                    |               |                      |                       |               |
| 15. | <b>Other Operating</b>                       |                    |               |                      |                       |               |
| a.  | Vehicle & Equipment Operating Expense:       |                    |               |                      |                       |               |
| b.  | Exterminating:                               |                    |               |                      |                       |               |
| c.  | Rubbish Removal:                             |                    |               |                      |                       |               |
| d.  | Security Payroll:                            |                    |               |                      |                       |               |
| e.  | Other:                                       |                    |               |                      |                       |               |
|     | Total Other Operating:                       |                    |               |                      |                       |               |
|     | Total Operating & Maintenance:               |                    |               |                      |                       |               |
|     | Escrow Funding & Debt Service                |                    |               |                      |                       |               |
| 16. | <b>Escrow Funding</b>                        |                    |               |                      |                       |               |
| a.  | Real Estate Tax Escrow:                      |                    |               |                      |                       |               |
| b.  | Property & Liability Insurance:              |                    |               |                      |                       |               |
| c.  | Replacement Reserve:                         |                    |               |                      |                       |               |

|                                      |                                 | BUDGET PROJECTIONS | COST PER UNIT | ADJUSTMENTS BY MSHDA | MSHDA APPROVED BUDGET | COST PER UNIT |
|--------------------------------------|---------------------------------|--------------------|---------------|----------------------|-----------------------|---------------|
| d.                                   | Loan Repayment:                 |                    |               |                      |                       |               |
| e.                                   | Other:                          |                    |               |                      |                       |               |
| Total Escrow Funding:                |                                 |                    |               |                      |                       |               |
| 17.                                  | <b>Debt Service</b>             |                    |               |                      |                       |               |
| a.                                   | Mortgage Interest:              |                    |               |                      |                       |               |
| b.                                   | Mortgage Principal:             |                    |               |                      |                       |               |
| c.                                   | Trustee Bond Fees:              |                    |               |                      |                       |               |
| Total Debt Service:                  |                                 |                    |               |                      |                       |               |
| Total Escrow Funding & Debt Service: |                                 |                    |               |                      |                       |               |
| Other Expenditures                   |                                 |                    |               |                      |                       |               |
| 18.                                  | <b>Insurance</b>                |                    |               |                      |                       |               |
| a.                                   | Employee Health Benefits:       |                    |               |                      |                       |               |
| b.                                   | Worker's Compensation:          |                    |               |                      |                       |               |
| c.                                   | Other:                          |                    |               |                      |                       |               |
| Total Insurance:                     |                                 |                    |               |                      |                       |               |
| 19.                                  | <b>Allowable Distributions:</b> |                    |               |                      |                       |               |
| 20.                                  | <b>Capital Expenditures</b>     |                    |               |                      |                       |               |
| a.                                   | Land Improvements:              |                    |               |                      |                       |               |



| BUDGET PROJECTIONS | COST PER UNIT | ADJUSTMENTS BY MSHDA | MSHDA APPROVED BUDGET | COST PER UNIT |
|--------------------|---------------|----------------------|-----------------------|---------------|
|                    |               |                      |                       |               |
|                    |               |                      |                       |               |
|                    |               |                      |                       |               |
|                    |               |                      |                       |               |
|                    |               |                      |                       |               |
|                    |               |                      |                       |               |
|                    |               |                      |                       |               |
|                    |               |                      |                       |               |
|                    |               |                      |                       |               |
|                    |               |                      |                       |               |
|                    |               |                      |                       |               |

- b. Building & Components:
- c. Maintenance Equipment:
- d. Office Equipment:
- e. Furniture & Fixtures:
- f. Other:

Total Capital Expenditures:

Total Other Expenditures:

21. Excess Income Payment:

22. TOTAL EXPENDITURES:

23. INCOME MINUS EXPENDITURES:

|  |  |  |  |  |
|--|--|--|--|--|
|  |  |  |  |  |
|--|--|--|--|--|

CERTIFICATION: (you must sign here)

I, the undersigned, certify that all information contained herein is true and correct to the best of my knowledge.

|                    |                |            |      |
|--------------------|----------------|------------|------|
| Management Company | By (Signature) | Title      | Date |
| AM                 | Date           | Supervisor | Date |

## BUDGET COMPARABLES

**#1 Comp.**

**#2 Comp.**

**#3 Comp.**

|                     |                              |                     |                              |                     |                              |
|---------------------|------------------------------|---------------------|------------------------------|---------------------|------------------------------|
| Development Name:   |                              | Development Name:   |                              | Development Name:   |                              |
| Location:           |                              | Location:           |                              | Location:           |                              |
| No. of Units:       |                              | No. of Units:       |                              | No. of Units:       |                              |
| Family or Elderly:  |                              | Family or Elderly:  |                              | Family or Elderly:  |                              |
| <b>Expenses</b>     | <b>Cost<br/>Per<br/>Unit</b> | <b>Expenses</b>     | <b>Cost<br/>Per<br/>Unit</b> | <b>Expenses</b>     | <b>Cost<br/>Per<br/>Unit</b> |
| Vacancy Loss        |                              | Vacancy Loss        |                              | Vacancy Loss        |                              |
| Management Fee      |                              | Management Fee      |                              | Management Fee      |                              |
| Administrative      |                              | Administrative      |                              | Administrative      |                              |
| Electricity         |                              | Electricity         |                              | Electricity         |                              |
| Water/Sewer         |                              | Water/Sewer         |                              | Water/Sewer         |                              |
| Fuel                |                              | Fuel                |                              | Fuel                |                              |
| Maintenance         |                              | Maintenance         |                              | Maintenance         |                              |
| Real Estate Tax     |                              | Real Estate Tax     |                              | Real Estate Tax     |                              |
| Insurance           |                              | Insurance           |                              | Insurance           |                              |
| Debt Service        |                              | Debt Service        |                              | Debt Service        |                              |
| Replacement Reserve |                              | Replacement Reserve |                              | Replacement Reserve |                              |
| Other               |                              | Other               |                              | Other               |                              |
| Total Expenses      |                              | Total Expenses      |                              | Total Expenses      |                              |

Explain major differences in comparables below:

**Exhibit C****AMENITIES CHECKLIST**

|                         |               |                   |
|-------------------------|---------------|-------------------|
| <b>Development Name</b> |               | <b>Date</b>       |
| <b>Feasibility</b>      | <b>MSHDA#</b> | <b>Commitment</b> |

| ELDERLY | FAMILY | AMENITY                            | REMARKS |
|---------|--------|------------------------------------|---------|
|         |        | DEVELOPMENT SIGNAGE                |         |
|         |        | DRAPERIES/ROD                      |         |
|         |        | DOUBLE TRACK DRAPERY RODS          |         |
|         |        | DRAPERY LINERS                     |         |
|         |        | 14 CU. FT. FROST FREE REFRIGERATOR |         |
|         |        | RANGE/OVEN (TYPE)                  |         |
|         |        | DISHWASHER                         |         |
|         |        | WASHER/DRYER HOOK-UP               |         |
|         |        | WASHER/DRYER                       |         |
|         |        | CENTRAL TV ANTENNA                 |         |
|         |        | CABLE TV                           |         |
|         |        | CARPETING                          |         |
|         |        | CENTRAL AIR                        |         |
|         |        | THROUGHWALL/ROUGH-IN               |         |
|         |        | INDIVIDUAL GAS METERS              |         |
|         |        | INDIVIDUAL ELECTRIC METERS         |         |
|         |        | INDIVIDUAL WATER METERS            |         |
|         |        | COMMUNITY FACILITIES               |         |
|         |        | COMMUNITY ROOMS                    |         |

**Exhibit C**

| <b>ELDERLY</b> | <b>FAMILY</b> | <b>AMENITY</b>                             | <b>REMARKS</b> |
|----------------|---------------|--|----------------|
|                |               | (MID OR HIGH RISE)                         |                |
|                |               | MAINTENANCE<br>GARAGE/STORAGE              |                |
|                |               | CENTRAL LAUNDRY FACILITY(S)                |                |
|                |               | TENNIS COURTS                              |                |
|                |               | SWIMMING POOL                              |                |
|                |               | JACUZZI/SAUNAS                             |                |
|                |               | EXERCISE ROOM(S)                           |                |
|                |               | JOGGING & WALKING TRAILS                   |                |
|                |               | OTHER RECREATIONAL FACILITIES              |                |
|                |               | CARPORTS                                   |                |
|                |               | GARAGES                                    |                |
|                |               | PARKING GARAGE                             |                |
|                |               | BALCONIES/PATIOS                           |                |
|                |               | TOT LOT/PLAY AREAS                         |                |
|                |               | LAWN IRRIGATION                            |                |
|                |               | NO. OF VISITOR & RESIDENT PARKING<br>RATIO |                |
|                |               | BASEMENTS                                  |                |
|                |               | BRICK EXTERIOR (40%)                       |                |
|                |               | CARPETING                                  |                |
|                |               | DOUBLE SINKS (KITCHEN)                     |                |
|                |               | SINGLE SINK (KITCHEN)                      |                |
|                |               | CERAMIC TILE (BATH)                        |                |
|                |               | FIBERGLASS TUB ENCLOSURE                   |                |
|                |               | CENTRAL LAUNDRY FACILITY(S)                |                |
|                |               | OTHER                                      |                |

## Exhibit D

### MANAGEMENT AGENT QUALIFICATION DATA APPLICATION EXHIBITS

New management agents or management agents not currently doing business with the Authority must submit the following exhibits with the attached Management Agent Qualification Data Application:

1. "Certificate of Authority to Conduct Affairs in Michigan": Applications for this certificate are available through the Bureau of Commercial Services, Corporation Division, Lansing, MI (**applicable to out-of-state companies only**).
2. Verification of Type of Firm: The following items must be submitted for the applicable type of firm:

**Corporation:** Certified copy of Articles of Incorporation (with any amendments) and current Bylaws (with any amendments). If the corporation is doing business under an assumed name, a copy of the "Certificate of Persons Conducting Business Under Assumed Name" must be submitted.

**Partnership:** Copies of Partnership Agreement (with any amendments) and Certificate of Co/Limited Partnership (with any amendments).

**Sole Proprietor:** Copy of "Certificate of Persons Conducting Business Under Assumed Name"

**Limited Liability Company:** Copy of Articles of Organization (with any amendments).

- C. **Resumes:** Resumes emphasizing property manager experience for each Owner and Chief Operating Officer. (Include Social Security number and home address) Resumes should include how many units and projects have been managed and how long they were managed.
4. References: Name, address and telephone number of three (3) owners of multi-family developments managed by the management company.
5. Tenant Selection Criteria: Describe in detail, the organization's standard tenant selection and eligibility criteria, and waiting list procedures.
6. Real Estate Brokers License: Provide copy of the management agent's valid Real-Estate Brokers license.
7. Accounting System & Internal Control Structure Certification: Sign and submit the attached

Accounting System and Internal Control Structure Certification.

8. Organizational Chart: Provide copy of your organizational chart, identifying who is responsible for what and to whom.

## Exhibit D

### ACCOUNTING SYSTEM and INTERNAL CONTROL STRUCTURE CERTIFICATION

In order to be considered to manage a MSHDA financed development, the management agent must possess an accounting system that adequately discloses the financial activity of the entity being managed. At a minimum, the management agent's current accounting system must contain:

- General Ledger
- Cash Receipts Journals
- Cash Disbursement Journals
- Accounts Receivable Subsidiary Ledgers
- Accounts Payable Subsidiary Ledgers
- Rent Roll
- Bank statements and reconciliations
- Invoices
- Tenant files
- Payroll records

In addition, the management agent must have an internal control structure that promotes the safeguarding of assets (including the segregation of duties), checks the accuracy and reliability of accounting data, promotes operational efficiency, and encourages adherence to prescribed policies and regulatory requirements.

I certify that \_\_\_\_\_ (name of management agent)  
currently possesses an accounting system and internal control structure as described above.

---

Title

---

Signature

---

Date

# MICHIGAN STATE HOUSING AUTHORITY

735 East Michigan Avenue

PO Box 30044

Lansing, MI 48909

## MANAGEMENT AGENT QUALIFICATION APPLICATION

This form is issued under authority of Act 346 P.A. of 1968. Completion of this form is required. Failure to complete this form will result in a denial of management contract by the Michigan State Housing Development Authority

Instructions: \*Answer all questions completely. Please type or print all answers. If additional space is needed for answers attach additional pages

\*An incomplete or unacceptable application could result in disapproval of the management agent.

| General Information  |   |  |
|--|---|--|
| Firm Name:   |   | Date:  |
| Federal Identification Number:   | Year Established as a Property Management Company |  |
| Total Number of Employees  | Total Number of Units you are Currently Managing  |  |
| Management Entity Type   |   |  |
| <input type="checkbox"/> Owner/Agent                                   | <input type="checkbox"/> Independent Fee Agent    | <input type="checkbox"/> Identity of Interest Agent            |
| Firm's Business Office Locations                                       |   |  |
| Address<br>Street, Number, City, State, Telephone<br>Principal Office: | Territory and Major Cities Covered                | Contact Person<br>Name and Email Address                       |
|  |   |  |
| Other Offices  |   |  |
| Address<br>Street, Number, City, State, Telephone                      | Territory and Major Cities Covered                | Contact Person<br>Name and Email Address                       |
|  |   |  |
| Type of Firm:  |   |  |
| <input type="checkbox"/> Corporation                                   | <input type="checkbox"/> Partnership              | <input type="checkbox"/> Limited Liability Company             |
|  |   | <input type="checkbox"/> Proprietary<br>(Individual Ownership) |
| Corporate Structure  |   |  |
| Please List all Current Corporate Officers                             |   |  |
| Title  | Name (please print)                               | Signature  |
| President  |   |  |
| Vice President   |   |  |
| Secretary  |   |  |
| Treasurer  |   |  |



Yes No

Do you certify that the corporation is in good standing with the State of Michigan as of the date of this application?

☐ ☐

Do you certify that no litigation of any nature is now pending or threatened either in state or federal courts in any manner affecting or questioning the power of authority of the corporation to transact business with the owner of a MSHDA-financed housing development; and neither the corporate existence of the corporation nor the title of the above-listed officers of the corporation to their respective offices is being contested?

☐ ☐

### Partnerships

List the current authorized agents of the partnership

| Title | Partner's Name (please print) | Partner's Signature |
|-------|-------------------------------|---------------------|
|       |                               |                     |
|       |                               |                     |
|       |                               |                     |
|       |                               |                     |
|       |                               |                     |

Yes No

Do you certify that neither the existence of the partnership nor the qualification of the authorization of the authorized agents of the partnership listed above is being contested?

☐ ☐

### Firm's Owners Management Experience

At least one owner must have a minimum of five years property manager experience managing 100 units or more

|                    |                                       | Resident Manager Experience |                         | Property Manager Experience |                         |
|--------------------|---------------------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|
| Name of all Owners | Percent of Ownership<br>(Must = 100%) | Number of Years             | Number of Units Managed | Number of Years             | Number of Units Managed |
|                    |                                       |                             |                         |                             |                         |
|                    |                                       |                             |                         |                             |                         |
|                    |                                       |                             |                         |                             |                         |
|                    |                                       |                             |                         |                             |                         |
|                    |                                       |                             |                         |                             |                         |

### Property Manager Experience

|                    |                                       | Resident Manager Experience |                         | Property Manager Experience |                         |
|--------------------|---------------------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|
| Name of all Owners | Percent of Ownership<br>(Must = 100%) | Number of Years             | Number of Units Managed | Number of Years             | Number of Units Managed |
|                    |                                       |                             |                         |                             |                         |
|                    |                                       |                             |                         |                             |                         |
|                    |                                       |                             |                         |                             |                         |
|                    |                                       |                             |                         |                             |                         |
|                    |                                       |                             |                         |                             |                         |

### Subsidized Housing Experience Over the Last 10 years

Attach additional information if necessary

| Name of Principal and/or Firm | Development Name, Address & Telephone Number | Government Agency Involved | Project No./ Housing Type Project Type | Number of Units | Times Managed Begin & End Dates |
|-------------------------------|--|----------------------------|--|-----------------|---------------------------------|
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |
|                               |  |                            |  |                 |                                 |

Yes    No

Do you certify that the Subsidized Housing Section contains a complete listing of every assisted or insured project of HUD, USDA-FmHAM, or state and local government housing finance principals of this firm have been or are currently involved in the last 10 years?

☐    ☐

Have there been any unresolved findings raised as a result of HUD audits, management reviews or other governmental investigations concerning the principals of this firm on any of these?

☐    ☐

\*\* if yes please explain

**Subsidized Housing Experience Con't**

Yes No

Has there been any suspension or termination of payments under any HUD assistance contract in which any of the principals of this firm have had a legal or beneficial interest attributable to negligence of any of the principals of this firm

☐ ☐

Have any principals of this firm been convicted of a felony in a State or Federal Court of Law, or are presently the subject of a complaint or indictment charging a felony or misdemeanor?

☐ ☐

Have any principals of this firm defaulted on an obligation covered by a surety or preformance bond been the subject of a claim under an employee dishonesty/crime policy

☐ ☐**Conventional Housing Experience**

Attach additional information if necessary

| Development Name,<br>Address & Telephone<br>Number | Type of Structure | Number of Units | Mortgagor (Name & Address) | Times Managed<br>Begin & End<br>Dates |
|--|-------------------|-----------------|----------------------------|---------------------------------------|
|  |                   |                 |                            |                                       |
|  |                   |                 |                            |                                       |
|  |                   |                 |                            |                                       |
|  |                   |                 |                            |                                       |
|  |                   |                 |                            |                                       |
|  |                   |                 |                            |                                       |
|  |                   |                 |                            |                                       |
|  |                   |                 |                            |                                       |
|  |                   |                 |                            |                                       |
|  |                   |                 |                            |                                       |
|  |                   |                 |                            |                                       |

### Conventional Housing Experience Con't

Yes No

Do you certify that the conventional housing section contains a complete listing of every non-subsidized housing development in which any of the principals of this firm have been or are currently involved in the last 10 years

☐ ☐

\*\* If no please explain

### Commerical Housing Experience

Attach additional information if necessary

| Development Name,<br>Address & Telephone<br>Number | Type of Structure | Square Footage | Mortgagor (Name & Address | Times Managed<br>Begin & End<br>Dates |
|--|-------------------|----------------|---------------------------|---------------------------------------|
|  |                   |                |                           |                                       |
|  |                   |                |                           |                                       |
|  |                   |                |                           |                                       |
|  |                   |                |                           |                                       |
|  |                   |                |                           |                                       |
|  |                   |                |                           |                                       |
|  |                   |                |                           |                                       |
|  |                   |                |                           |                                       |
|  |                   |                |                           |                                       |
|  |                   |                |                           |                                       |

### Commerical Housing Con't

Yes No

Do you certify that the commercial property section contains a complete listing of every commercial development in which any of the principals of this firm have been or are currently involved in the last 10 years??

☐ ☐

\*\*If no please explain

### History of Defaults

Yes No

Have any developments you or any principal of this firm manages or managed ever experienced a financial default, including foreclosure, workout, bankruptcy sale or refinancing?

☐ ☐

\*\*If yes, explain the default, making sure to indicate when and how you became involved with the development and at what point during your management of the development did the default occur?

|  |
|--|
| <br><br><br><br><br><br><br><br><br><br> |
|--|

\*\*How was the default cured or addressed?

|  |
|--|
| <br><br><br><br><br><br><br><br><br><br> |
|--|

### Marketing

Yes No

Do you undertake initial (start-up) marketing of a development

☐ ☐

\*\* If yes, List the names and addresses of the developments marketed

| Development Name | Address |
|------------------|---------|
|                  |         |
|                  |         |
|                  |         |
|                  |         |
|                  |         |
|                  |         |

### Real Estate Activities

Are you or any member of your firm or staff a licenced Michigan Real Estate Broker Yes No  
☐ ☐

\*\* If yes, List the name and license number for each individual:

| Name | License Number |
|------|----------------|
|      |                |
|      |                |
|      |                |
|      |                |
|      |                |

Yes No

Do all employess who sign leases have a Michigan Real Estate Salesperson's or Broker's License? ☐ ☐

Has your license (salesperson's or broker's) or that of any member of your firm ever been revoked or suspended? Yes No  
☐ ☐

\*\* If yes, list the name of the individual and give a brief explanation of the revocation/suspension:

| Name | Explanation |
|------|-------------|
|      |             |
|      |             |
|      |             |
|      |             |
|      |             |

Do you engage in other real estate activities? Yes No  
☐ ☐

\*\*If yes, explain these activities:

### Computer Capabilities

Do you have, or agree to acquire, compatible computer operating systems, hardware and software capable of meeting the electronic reporting requirements of the Authority and/or HUD? Yes No  
☐ ☐

### Employee Dishonesty/Crime Coverage

Do you have an insurance policy for dishonest acts that may be committed by your employees? Yes No  
☐ ☐

\*\*If yes, list the name and address of your Insurance Company

| Insurance Company Name | Insurance Company Address |
|------------------------|---------------------------|
|                        |                           |

\*\*If no, can you get an employee dishonesty/crime coverage policy Yes No  
☐ ☐

Explain why you do not have employee dishonesty/crime coverage

|  |
|--|
|  |
|--|

### Identity of Interest Companies

Do you do business with Identity of Interest Companies Yes No  
☐ ☐

\*\*If yes, list the names and describe the type of business

| Vendor Name | Description of Goods and Services to be Provided |
|-------------|--|
|             |  |
|             |  |
|             |  |
|             |  |
|             |  |

Warning: Submission of false statement or representation is a criminal offense under MCLA 125.1447 punishable by imprisonment for not more than 10 years or by a fine of not more than \$5,000

I certify that the above information contained on this form and the attached are true and complete

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature

| MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY REVIEW |                               |             |
|---|-------------------------------|-------------|
| APPROVED  | CONDITONAL (SEE COVER LETTER) | DISAPPROVED |
|   |                               |             |

\_\_\_\_\_  
Director, Office of Asset Management

\_\_\_\_\_  
Date

Development Name &amp; Number: \_\_\_\_\_

Management Agent: \_\_\_\_\_

|   |
|---|
| <b>MARKETING and EQUIPMENT/FURNISHINGS BUDGET</b> |
|---|

| MARKETING BUDGET        |                 | EQUIPMENT/FURNISHINGS BUDGET        |                 | TOTAL        |
|-------------------------|-----------------|-------------------------------------|-----------------|--------------|
| Column 1                | Column 2        | Column 3                            | Column 4        | Column 5     |
| Marketing Expense Items | Amount Budgeted | Equipment/Furnishings Expense Items | Amount Budgeted | Column 2 + 4 |
| 1.                      |                 |                                     |                 |              |
| 2.                      |                 |                                     |                 |              |
| 3.                      |                 |                                     |                 |              |
| 4.                      |                 |                                     |                 |              |
| 5.                      |                 |                                     |                 |              |
| 6.                      |                 |                                     |                 |              |
| 7.                      |                 |                                     |                 |              |
| 8.                      |                 |                                     |                 |              |
| 9.                      |                 |                                     |                 |              |
| 10.                     |                 |                                     |                 |              |
| <b>Total</b>            |                 |                                     |                 |              |

**Note:** Detailed notes, including mathematical computations, and supportive documents must be included for each line item of the budget.



Development Name &amp; Number: \_\_\_\_\_

Management Agent: \_\_\_\_\_

|   |
|---|
| <b>MARKETING and EQUIPMENT/FURNISHINGS BUDGET cont.</b> |
|---|

| MARKETING BUDGET        |                 | EQUIPMENT/FURNISHINGS BUDGET        |                 | TOTAL        |
|-------------------------|-----------------|-------------------------------------|-----------------|--------------|
| Column 1                | Column 2        | Column 3                            | Column 4        | Column 5     |
| Marketing Expense Items | Amount Budgeted | Equipment/Furnishings Expense Items | Amount Budgeted | Column 2 + 4 |
| 11.                     |                 |                                     |                 |              |
| 12.                     |                 |                                     |                 |              |
| 13.                     |                 |                                     |                 |              |
| 14.                     |                 |                                     |                 |              |
| 15.                     |                 |                                     |                 |              |
| 16.                     |                 |                                     |                 |              |
| 17.                     |                 |                                     |                 |              |
| 18.                     |                 |                                     |                 |              |
| 19.                     |                 |                                     |                 |              |
| 20.                     |                 |                                     |                 |              |
| <b>Total</b>            |                 |                                     |                 |              |

**Note:** Detailed notes, including mathematical computations, and supportive documents must be included for each line item of the budget.

Department of Labor and Economic Growth  
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
735 East Michigan Avenue, Lansing, Michigan 48912

**MANAGEMENT AGREEMENT**

For All Authority-Financed Developments  
Except Section 8 and Section 236

THIS MANAGEMENT AGREEMENT is entered into on this \_\_\_\_ day of \_\_\_\_\_, 200\_\_, by and between \_\_\_\_\_ whose address is \_\_\_\_\_ (the "Owner"), and \_\_\_\_\_ a \_\_\_\_\_ corporation/\_\_\_\_\_, whose address is \_\_\_\_\_ (the "Agent").

**R E C I T A L S:**

A. The Owner is in the process of constructing or rehabilitating or has constructed or rehabilitated a multifamily housing development including \_\_\_\_\_ dwelling units for occupancy by persons of low or moderate income, located in \_\_\_\_\_, County, Michigan, and known as \_\_\_\_\_, MSHDA Development No. \_\_\_\_\_ (the "Development").

B. The Development is or will be financed by a Mortgage Loan from the Michigan State Housing Development Authority, a public body corporate and politic of the State of Michigan.

C. The Agent represents that it is highly skilled and experienced in all aspects of the marketing and management of multifamily housing developments occupied by low and moderate income persons, and has the requisite experienced staff to manage the Development successfully.

D. Based upon this representation by the Agent, the Owner desires to appoint the Agent and the Agent desires to be appointed as the exclusive managing agent of the Development.

NOW, THEREFORE, the parties agree as follows:

Section 1. **Appointment.** The Owner appoints the Agent and the Agent accepts appointment as the exclusive managing agent of the Development, subject to the terms and conditions of this Agreement.

Section 2. **Definitions.** In this Agreement:

2.1 "Act" means the State Housing Development Authority Act, being Act 346 of the Public Acts of 1966, as amended; MCL 125.1401, *et seq.*

2.2 "Audit Guidelines" means the Authority's Multi-Family Annual Certified Audit Guidelines, as may be in effect from time to time.

2.3 "Authority" means the Michigan State Housing Development Authority, a public body corporate and politic of the State of Michigan, acting by and through one of its Authorized Officers as described in Section 22 below.

2.4 "HUD" means the United States Department of Housing and Urban Development.

2.5 "Identity of Interest Vendor" means a vendor in a relationship with the Owner or the Agent as defined in Rule 202 of the Authority's General Rules, R 125.202.

2.6 "LIHTC" means the Low Income Housing Tax Credit and "LIHTC Program" means the Low Income Housing Tax Credit Program as implemented by the Authority pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

2.7 "MIE Guidelines" means the Authority's Monthly Income and Expenditure ("MIE") Guidelines, as amended from time to time.

2.8 "Maximum Allowable Management Fee" means the maximum management fee determined in accordance with the schedule published by the Authority and as amended by it from time to time, that may be paid to an Authority-approved agent by an owner in any given year, to the extent available from Development operations. The availability of funds from Development operations to pay and the eligibility of an agent to receive the Maximum Allowable Management Fee shall be determined by the Authority.

2.9 "Mortgage" means that certain mortgage dated \_\_\_\_\_, given by the Owner to the Authority to secure the repayment of the Mortgage Loan.

2.10 "Mortgage Loan" means the construction and/or permanent loan made to the Owner by the Authority to assist in the construction and/or operation of the Development.

2.11 "Operating Account" means the separate bank account maintained on behalf of the Owner in a manner that indicates the custodial nature thereof, for the deposit of the monies of the Development (except tenant security deposits), in accordance with Section 13 below.

2.12 "Premium Management Fee" means the compensation in addition to the Maximum Allowable Management Fee that may be paid to an Authority-approved agent by an owner in any given year, to the extent available from Development operations, determined and calculated in accordance with the Authority's Premium Management Fee Guidelines in effect from time to time.

2.13 "Regulatory Agreement" means that certain agreement dated \_\_\_\_\_ and all amendments thereto, between the Owner and the Authority providing for the regulation of the Owner and the Development by the Authority in accordance with the Mortgage, the Act and the rules and regulations of the Authority. Where appropriate, Regulatory Agreement will also be deemed to include any regulatory agreement/restrictive covenant entered into between the Owner and the Authority for participation in the LIHTC Program.

2.14 "State" means the State of Michigan.

2.15 "Tenant Selection Criteria" means the Agent's written tenant selection and eligibility criteria and other requirements for screening and selecting tenants at the Development consistent with applicable federal, state and local laws and regulations, and which must be made available to applicants and tenants at the rental office for the Development.

**Section 3. Receipt of Documents; Furnishing of Rules, Survey, Plans and Specifications.**

3.1 The Agent has received a copy of the Regulatory Agreement and the Mortgage, and agrees to manage the Development in accordance with the terms thereof. In the event that any terms of this Agreement or any instructions of the Owner are in contravention of the Regulatory Agreement or the Mortgage, the terms of the Regulatory Agreement and the Mortgage shall control.

3.2 In order to facilitate efficient operation of the Development, the Owner shall furnish the Agent with a set of community or house rules, an "as-built" survey of the Development showing the location of all improvements (after the final closing on the Mortgage Loan) and a complete set of architectural plans and specifications for the Development as finally approved by the Authority. All such rules, surveys, plans and specifications shall be maintained and available for review at the Development. With the aid of these documents and inspections made by the Agent, the Agent shall inform itself with respect to layout, construction, location, character, plan and operation of the lighting, heating, plumbing and ventilating systems, and other mechanical equipment in the Development. Copies of guaranties and warranties pertinent to the construction of the Development and in force at the time of the execution of this Agreement shall be furnished to the Agent, and maintained by the Agent as described in Section 5.g below.

**Section 4. Purpose of Development.**

4.1 The Agent fully understands that the Owner is or will be providing some or all of the units in the Development to persons of very low, low or moderate income solely for their residential use, as more fully described in the Regulatory Agreement, and in any regulatory agreement/restrictive covenant that has been or may be entered into by the Owner for participation in the LIHTC Program.

4.2 The Agent agrees, notwithstanding the authority given to the Agent in this Agreement, to confer fully and freely with the Owner in the performance of its duties as set forth in this Agreement.

4.3 The Agent agrees to comply with the Act and the rules and policies of the Authority, now in effect and as may be amended from time to time, in the performance of the duties and responsibilities set forth in this Agreement.

**Section 5. Services Generally.** The Agent shall provide all services necessary or desirable to manage, operate and maintain the Development on a day-to-day basis in accordance with sound property management practices. The Agent will exercise prudence and diligence in performing its duties, and will diligently protect the property rights and interests of the Owner while performing the functions of property manager. The Agent will at all times endeavor to achieve the budgeted occupancy levels and rents submitted to the Owner and the Authority, and to operate the Development within the limits of the Owner- and Authority-approved budget. The duties of the Agent will include, without limitation, the following:

a. Unless made exempt from this requirement by the Authority's Director of Management and Reinvestment, maintain a management office on site in a location to be provided by the Owner, which office shall be funded from the operations of the Development as reflected in the annual operating budget approved by the Authority. The Agent will also maintain a resident agent for service of process within the State of Michigan.

b. Use its best efforts to market and promptly lease to tenants who meet the Tenant Selection Criteria, all units which are or become vacant in the future, at rental rates approved by the Owner and not exceeding the maximum rates permitted by the Authority, the Regulatory Agreement or the LIHTC Program. In connection with this responsibility, the Agent shall take applications, screen and qualify prospective tenants and maintain records, at all times in accordance with the Agent's written Tenant Selection Criteria and applicable federal, state and local laws and regulations. All marketing activities of the Agent, including advertising, promotion and staffing, are subject to the prior review and approval of the Owner and the Authority. Unless approved in writing by the Director of Management & Reinvestment, no application processing fee shall be charged to the Development, except for credit reporting, criminal background check and similar fees charged by third party vendors to the Agent. The Agent will not solicit nor receive, directly or indirectly, any commission, bonus, gratuity, fee or any other payment from any applicant or prospective tenant, except for the cost of obtaining a credit report or other processing charges approved by the Director of Management & Reinvestment. Each occupied unit shall be subject to a written lease signed by all the adults occupying the unit, the form of which (including house rules and other addenda) has been approved by the Owner and the Authority. All occupants of a unit must be named on the lease for that unit. The Agent shall provide the Authority access to all of the documents received by the Agent as required by this paragraph.

c. With regard to the Agent's responsibilities in paragraph 5.b above, comply with occupancy qualifications and rental restrictions required by the Regulatory Agreement, as well as all requirements of the Low Income Housing Tax Credit Program and any regulatory agreement that may be executed by the Owner.

d. With regard to the Agent's responsibilities in paragraph 5.b above, maintain an updated waiting list of all applicants and endeavor to market all units in compliance with the affirmative fair housing marketing plan submitted to the Authority as described in paragraph 5.e. below. If the Development is under construction at the time this Agreement is executed, the Agent and the Owner have executed and attached to this Agreement an Addendum on MSHDA form M&R 401B, setting forth additional undertakings and obligations of the Agent regarding initial marketing and rent-up of the Development.

e. Develop and conduct an affirmative fair housing marketing plan, addressing (but not limited to) the following: (a) attracting prospective residents of all minority and majority groups; (b) hiring and training rental staff on a non-discriminatory basis; (c) participating in a community outreach program; and (d) attracting qualified disabled residents. The affirmative fair housing marketing plan shall be updated as required by the Owner or the Authority.

f. Negotiate commercial leases and concession agreements, subject to prior approval by the Owner of all substantive terms and conditions, and execute the same on behalf of the Owner, in its name. Commercial rents for the Development shall not be less than the minimums that are, from time to time, approved by the Owner.

g. Maintain the buildings, dwelling units located therein and all common areas, facilities and grounds of the Development in a decent, safe and sanitary condition as prescribed by the Authority and in compliance with the standards and requirements set by any governmental authority having jurisdiction over the Development. To implement this responsibility, Agent shall conduct, at a minimum, annual inspections of all buildings, units and the various component systems thereof and will undertake any measures necessary to maintain the Development in good order and repair in accordance with applicable standards, subject to Section 9 below.

h. Prepare and implement a long-term, preventative maintenance program for the continuing upkeep of the development, as well as a maintenance service request system that includes a record of all services requested and completed by unit number. With respect to the performance of maintenance tasks, the Agent shall make every effort to utilize third-party vendor guaranties and warranties to minimize the use of development operating funds and reserves for repair and replacement costs. In furtherance of this goal, the Agent will maintain a complete record book containing all service contracts and their dates of expiration, all unexpired vendor warranties and guaranties, the model, serial number and location (by unit) of every appliance at the development, the date of installation, and the name and contact information of all vendors and suppliers.

i. Renovate and make every effort to re-lease vacant units within 30 days after moveout or as promptly thereafter as is possible.

j. Develop and implement a fire safety plan with the assistance of the local fire department. As a part of the fire safety plan, the Agent must provide a means of ensuring the prompt response to any requests for assistance using the emergency cord system (buzzer and/or bell) installed for elderly tenants.

k. Diligently request, demand, collect, receive and issue receipts for all rents and other monthly charges due to the Development and deposit them in the Operating Account. From the Operating Account, Agent shall regularly and punctually and in the order and priority set forth below disburse the following:

1. The payment(s) required under the Mortgage Loan and any other loans from the Authority, including hazard and commercial liability insurance premiums, taxes and assessments, interest and principal on the Mortgage Loan, deposits to the Replacement Reserve Fund and any other reserves or escrows, as required by the Regulatory Agreement.

2. Expenditures for the normal, day-to-day operation of the Development, including supplies, services, utility charges, and compensation and reimbursements due the Agent under Section 15, and in accordance with the budget for the Development approved by the Owner and the Authority, and for such other expenditures as are authorized by or required to carry out the terms of this Agreement; PROVIDED HOWEVER, that no compensation due the Agent under Sections 15.1 or 15.2 of this Agreement may be paid so long as there are undisputed payables aged over 60 days owing to vendors other than Identity of Interest Vendors.

So long as the Agent exercises reasonable efforts to pay all charges and expenses of the Development in a consistent manner, the Agent will not be responsible for any late charges, fees, penalties, service charges or interest due and owing as a result of the Agent's failure to make any required payments by their due date. The Agent's "reasonable efforts" will be judged against the management industry's standard for prudent, fair business practices. If the Agent is unable to pay the charges and expenses of the Development in a timely manner due to a lack of available funds, then the Agent will notify the Owner of the deficiency. If the deficiency is ongoing, once the Owner has been notified and is aware of a continuing deficiency, the Agent is not required to send subsequent notices of a lack of funds. If the Owner fails to make funds available in the Operating Account to fund the deficiency after notice by the Agent, or the Owner otherwise consents to the Agent's failure to pay, the Owner assumes responsibility for any charges, fees or interest that may

be owed. In no event will the Agent be required to fund any deficiency in the Operating Account. The Agent will be not required to make any payments or pay other charges that are the subject of a valid dispute so long as the Owner or Agent is diligently pursuing resolution of the dispute, except for property taxes and other items that must be paid to avoid substantial late fees or penalties.

l. Diligently enforce the provisions of all tenant leases, and take prompt legal action to evict tenants delinquent in the payment of monthly rent or carrying charges or otherwise in violation of their leases. Agent shall also attempt to obtain reimbursement from such tenants for all legal expenses, including attorney's fees, incurred on behalf of the Development in connection with such legal action.

m. In accordance with Authority and HUD requirements, certify and recertify tenant eligibility for occupancy in the Development when applicable.

n. Diligently process applications for and cause collection of applicable subsidy payments from HUD (e.g., Existing Section 8 payments and housing voucher payments).

o. Purchase and maintain on behalf of the Development, hazard, business interruption, commercial liability and all other insurance coverages and bonds required by, and with provisions, in amounts, and with insurers satisfactory to, the Authority and the Owner.

p. Collect and administer tenant security deposits in compliance with Michigan law and applicable HUD regulations, subject to the following:

1. The Agent shall establish and maintain tenant security deposits in a bank located within the State and whose deposits are insured by the FDIC. The Agent shall not use any tenant's security deposit except in compliance with Michigan law.

2. In lieu of subsection p.1, the Owner may obtain and maintain a cash or surety bond as provided by Michigan law.

q. Maintain financial and tenant records which satisfactorily account for the operations and occupancy of the Development in compliance with Owner and Authority requirements.

r. Maintain a tenant file for each occupied unit, and hold all records for a seven-year period after move-out or as such longer period as may be described by applicable program requirements. All tenant income eligibility records from the first year of operation of the development must be held for 21 years. Each tenant file will contain:

- Pre-application and application
- Verification forms for all "Yes" items on the Resident Checklist
- MSHDA Certification of Tenant Eligibility (or HUD Form 50058/50059)
- Current lease and addendum
- Security deposit letter
- Inventory checklist
- Utility data release authorization form

The Agent shall provide the Authority with access to all of the documents received by the Agent as required by this paragraph.

s. Prepare and submit to the Owner and the Authority the Development's monthly

financial reports, a proposed annual operating budget, and all other reports and information required to be prepared and submitted in accordance with Section 6 of this Agreement. To comply with this requirement, the Agent must utilize computer operating systems, software and hardware that are capable of meeting the electronic reporting requirements of the Authority and/or HUD. The Agent must update and upgrade its systems, software and hardware as necessary to maintain compatibility.

#### **Section 6. Budget and Reports; Agent Records.**

6.1 Within thirty (30) days following the date of this Agreement and at least sixty (60) days prior to the commencement date of each new fiscal year thereafter until the termination of this Agreement, the Agent will prepare an operating budget for the Development (the "Budget") in a format acceptable to the Owner, and will submit the Budget to the Owner for approval. The Budget must also be submitted to the Authority on forms prescribed by the Authority, at least sixty (60) days prior to the beginning of the new fiscal year. With respect to rent-restricted units, no deviation shall be made from any applicable program rent guidelines without the prior written consent of the Authority, except for changes permitted as a result of adjustments in the HUD-published income limits or other factors. Rents on tax-credit restricted units may be reduced with the consent of the Owner. With respect to unrestricted units, deviations from the approved rent schedule contained in the Budget may be made only with the consent of the Owner or as deemed necessary by the Agent to promote full occupancy and to maximize rental income from the operation of the Development. The rents charged for and the occupancy of the units at the Development shall at all times be subject to the rent and occupancy limits set forth in the Regulatory Agreement.

6.2 By the **15th** day of each full calendar month commencing after the date of this Agreement, the Agent will submit monthly reports prepared in accordance with the MIE Guidelines (the "MIE Report") for the prior month to the Owner and the Authority showing actual performance for the month so that the Authority can prepare the Monthly Income and Expenditure Analysis for the Development. As a part of the monthly reports submitted by the Agent to the Owner, the Agent will include a copy of (i) the monthly rent roll for the Development, (ii) the cash disbursements journal, including lists of payables and receivables, (iii) the bank statement, including the reconciliation thereof, for the Operating Account for the prior month, (iv) the MIE Report for the prior month, accompanied by invoices supporting all disbursements, and (v) any and all notices from the Authority during the period covered by the monthly report. The Owner may forgo receipt of any of the items to be included in the report.

6.3 Annually, within 120 days after the close of each operating year (or portion of an operating year), the Agent will submit a certified annual audit of the operation of the Development for the year, conducted in accordance with the Audit Guidelines, along with the Certification required from the Owner's general partners. The Agent will cooperate with the auditor as needed to prepare the audit and will promptly deliver all information and records requested. The Agent will also submit to the Owner and the Authority such other statements and reports as the Owner or Authority shall reasonably request from time to time.

6.4 The Agent agrees to maintain adequate and complete books, records, papers, contract and files, all of which shall be the property of the Owner and shall be kept separate and apart from the Agent's books and records. The Agent's books and records will be in accordance with the Authority's Accounting Systems Policy, as amended from time to time, including, at a minimum, the following:

- general ledger containing all the accounts necessary to facilitate the completion



- of the MIE Report (i.e., on a cash basis)
- cash receipts and disbursement journals
- accounts receivable and payable subsidiary ledgers
- monthly rent roll, including unit number, tenant name, gross rent, security deposit, and move-in and lease termination dates
- bank statements and reconciliations for operating and security deposit accounts
- payroll records
- copies of all paid invoices

In addition, the Agent must maintain an internal control structure that promotes the safeguarding of assets (including the segregation of duties), checks the accuracy and reliability of accounting data, promotes operational efficiency, and encourages adherence to prescribed policies and regulatory requirements.

6.5 The Owner and the Authority will have access to the books and records relating to the Development at all reasonable times and will have the right to audit such books and records at the Development's expense. Any adjustment in amounts due and owing to the Development as a result of information discovered by the audit will be paid within thirty (30) days following receipt of the audit by the Agent. Upon termination of this Agreement, the Agent must deliver to the Owner all the books and records for the Development pursuant to Section 16 of this Agreement within thirty (30) days of receipt of termination.

#### **Section 7. Staff Positions and Compensation.**

7.1. The Agent shall provide below position descriptions that set forth the services to be provided by each employee of the Agent who will be working on a full- or part-time basis at the Development site or who will be compensated in any way from monies in the Operating Account or from other funds of the Development, including central office employees and any other employees not specifically assigned to the Development but whose compensation or any part thereof is charged to the Development. On the basis of these position descriptions, the Budget, and wage rates set forth in the approved Budget, the Agent shall hire, pay, supervise and discharge the staff necessary to properly maintain and operate the Development. Such staff shall in every instance be in the Agent's and not in the Owner's employ. The Agent will, in the hiring and retention of all employees, use reasonable care to select qualified, competent and trustworthy employees.

7.2. The Agent agrees that, as of the date of this Agreement, only those staff filling the positions described below will receive any part of their compensation paid from or charged to the Development, and then only for services provided by the Agent with respect to the Development. Thereafter, the Agent agrees that only those staff (including central office employees) whose positions and compensation are detailed in the Budget approved by the Owner and the Authority will be paid from or charged to the Development. The Agent also agrees that no part of the compensation paid to any of its central office employees may be paid from or charged to the Development without prior submission to and approval by the Authority of a completed MSHDA form M&R 307, listing all central office employees who are to receive compensation, directly or indirectly, from the Development. The Agent understands that a material factor in its appointment by the Owner and approval by the Authority as the exclusive managing agent of the Development is the high level of experience and competence of the staff assigned to or providing services to or for the benefit of the Development, as listed below.

Staff Positions Paid From or Charged to the Development

| Position Description | Name, if known | Hours Per Year On-Site<br>Or Allocated to Development |
|----------------------|----------------|---|
|                      |                |   |
|                      |                |   |
|                      |                |   |
|                      |                |   |
|                      |                |   |
|                      |                |   |
|                      |                |   |
|                      |                |   |

7.3. Compensation including fringe benefits and local, state and federal tax assessments for the employees listed in Section 7.2 shall be borne solely by the Development and shall be included as a separate line item in the Development's operating budget. Compensation for persons who would generally be expected to operate out of the Agent's central office, such as those providing financial record keeping, accounting and general staff supervision shall be paid from the Agent's compensation as set forth in Section 15, unless approved on MSHDA form M&R 307 by an Authorized Officer of the Authority.

7.4. The Agent shall maintain workers' compensation and employer's liability insurance, social security coverage and unemployment insurance for all of its employees in such amounts and coverages and with such deductibles as are consistent with standard industry practice, and shall withhold and pay on the employee's behalf such additional taxes as may be required under federal, state or local law.

7.5. The Agent agrees to make reasonable efforts to train and employ residents of the Development whenever possible to perform services.

7.6. The Agent and those employees of the Agent who handle or are responsible for the handling of the Development monies shall, at the Development's expense, be covered by an employee crime/dishonesty policy of insurance. The policy shall include terms and will be issued by a carrier acceptable to the Owner and the Authority, in the amount (adjusted annually) equal to two months' maximum gross rent potential for the Development. The Owner shall be named as the insured under the policy.

**Section 8. Non-Discrimination.** The Agent shall comply fully with the provisions of all federal, state and local laws prohibiting discrimination in hiring and the rental of housing on the basis of religion, race, color, national origin, age (unless with respect to an elderly housing development), sex, height, weight, marital status, familial status or disability, and (b) with the fair housing regulations and directives of HUD and the Authority providing for nondiscrimination and equal opportunity in housing.

**Section 9. Limit on Disbursements, Contractual Obligations and Liabilities.** With the exception of payments required under the Mortgage Loan or Regulatory Agreement, taxes, insurance, utilities and Owner-approved contractual obligations, no single disbursements shall be made in excess of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) nor shall any contract or ongoing supply or services arrangement that is estimated to exceed \_\_\_\_\_ Dollars (\$\_\_\_\_\_) per year be entered into unless specifically authorized by the Owner, excepting, however, that emergency repairs involving manifest danger to life or property, or immediately necessary for the preservation and safety of the property, or for the safety of the tenants, or required to avoid the suspension of any necessary services to the Development, may be made by the Agent irrespective of the cost limitation imposed by this Section. Notwithstanding this authority as to emergency repairs, it is understood and agreed that the Agent shall, if at all possible, confer immediately with the Owner regarding every such expenditure. The Agent shall not incur liabilities (direct or contingent) that will at any time exceed the aggregate amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_), or any liability maturing more than one (1) year from the creation thereof, without first obtaining the written approval of the Owner.

**Section 10. Compliance with Governmental Directives.** The Agent shall take such action as may be necessary to comply promptly with any and all orders or requirements of any federal, state, county, or municipal authority having jurisdiction over the Development, subject to the same limitations contained in Section 9 of this Agreement in connection with the making of repairs and alterations. The Agent, however, shall not take any action under this Section so long as the Owner is contesting, or has affirmed in writing its intention to contest, any such order or requirement. The Agent shall promptly, and in no event later than seventy-two (72) hours from the time of their receipt, notify the Owner and the Authority in writing of all such orders and notices or requirements.

**Section 11. Commissions or Rebates; Kickbacks; Identity of Interest.**

11.1 When taking bids or issuing purchase orders, the Agent shall at all times be under the direction of the Owner, and shall utilize its best efforts to secure for credit to the Development any discounts, commissions or rebates reasonably obtainable as a result of such bids or purchase orders.

11.2 The Owner and Agent agree to obtain materials, supplies and services at the most advantageous cost and terms available to the Development and to secure and credit to the Development all discounts, rebates or commissions obtainable with respect to purchases, service contracts and other transactions on behalf of the Development.

11.3 Neither the Owner nor the Agent shall enter into any agreement or contract with an Identity of Interest Vendor providing goods or services to the Development which involves a "kick-back" of any part of the cost of the services or goods, or which involves any payment, gift or benefit in recognition of or in return for the Owner or Agent entering into the agreement or contract, other than routine gifts made to all customers of the vendor, such as in connection with holidays, etc.

11.4 Any business conducted with an Identity of Interest Vendor must comply with the requirements of Rule 203 of the Authority's General Rules, as set forth in R 125.203. Any relationship between the Owner or the Agent and an Identity of Interest Vendor proposing to provide goods or services, whether related directly or indirectly to the Development, must be disclosed to the Authority using the form prescribed by the Authority, before any business with the Identity of Interest Vendor can be conducted. The Owner and the Agent agree that all goods and

services purchased from Identity of Interest Vendors shall be purchased at costs not in excess of those that would be incurred in making arms'-length purchases on the open market, and that all discounts, rebates or commissions that may be obtained will be credited to the Development as required by Section 11.2 above.

#### **Section 12. Agent of Owner.**

12.1 All actions by the Agent pursuant to the provisions of Sections 5, 9, 10, and 11 shall be as agent of the Owner, and all obligations or expenses incurred thereunder shall be for the account, on behalf and at the expense of the Development, except as otherwise provided herein. The Agent shall not be obliged to make any advance to or for the account of the Owner, or to pay any sum except out of funds held or provided as aforesaid. The Agent shall not be obliged to incur any liability or obligation for the account of the Owner without written assurance that the necessary funds for the discharge thereof shall be provided by the Owner.

12.2 The Agent shall assume responsibility for losses of rental income, increases in operating expense or financial deficits resulting from the Agent's negligent omissions or failures to act in accordance with the standards set forth in this Agreement in the performance of any and all of the duties necessary to the proper management and marketing of the Development.

**Section 13. Operating Account.** The Agent shall establish the Operating Account with a regulated financial institution with an office located in Michigan, in the name of the Development, with authority to draw thereon for any payments to be made by the Agent under Section 5.k. Funds in the operating account may be placed in a deposit account insured by the FDIC, or invested in direct obligations of the U.S. Government maturing within one (1) year, or in money market funds investing solely in obligations of the U.S. Treasury. All deposits to and payments or withdrawals from the Operating Account shall be subject to the limitations set forth in this Agreement and the Regulatory Agreement. The funds in the Operating Account shall not be commingled with any other accounts or funds of the Agent and shall be maintained and disbursed in accordance with the provisions of the Regulatory Agreement and the written policies of the Authority.

#### **Section 14. Term of Agreement.**

14.1 The initial term of this Agreement shall commence as of the effective date of \_\_\_\_\_, \_\_\_\_\_, *[to be filled in by the Authority]* and shall terminate on December 31, \_\_\_\_\_.

14.2 At the end of the initial term, this Agreement will be automatically extended for successive one (1) year terms at the rate of compensation provided for in Section 15.1, until terminated pursuant to Section 16 of this Agreement. This subsection shall not be effective if this Agreement is in the process of being terminated pursuant to Section 16.

#### **Section 15. Compensation of Agent.**

15.1 Except for the salaries, taxes and fringe benefits that are to be paid on behalf of the Agent to employees out of the Operating Account pursuant to Section 7, the basic compensation from Development operations that the Agent shall be entitled to receive for services performed during the initial term of this Agreement shall be a fee equal to \$\_\_\_\_\_ per unit per year, or a prorated amount of 1/12th of this fee for each month of any partial year during which services are performed. Services will be deemed to begin on the commencement date specified in Section 14.1, except in the case of new construction or rehab, in which case services will be deemed to begin on

the date a Certificate of Occupancy is issued for each unit. This fee will be paid in equal monthly installments on the first business day of the month in which the services being compensated will be performed. Management fees cannot be paid in advance for any subsequent month. In no event shall this fee exceed the Maximum Allowable Management Fee. After the initial term of this Agreement, the basic compensation to be paid shall be the amount established in the approved Budget for the year in which the services are performed. In the event of a termination that is effective on other than December 31, no fee shall be due for the months following the termination, assuming a prorated amount of 1/12th of the total fee is attributable to each calendar month.

15.2 Following each operating year, if the Agent qualifies under the Authority's Premium Management Fee Guidelines in effect from time to time, the Agent may also be paid the Premium Management Fee, if approved by the Owner and the Authority.

15.3 In addition to compensation for services performed, Agent is entitled to reimbursement for the following:

a. Compensation payable to the employees specified in Section 7, including benefits, and for employment and other taxes payable to local, State, and Federal governments paid in connection with their employment.

b. Actual, reasonable and necessary purchases made by the Agent on behalf of the Development, e.g., purchases of supplies, equipment and services to be used specifically for the operation of the Development pursuant to the Authority's Management Fee Policy in effect from time to time.

15.4 If a material default by the Agent under this Agreement, the Regulatory Agreement or the Mortgage occurs because of the Agent's failure, refusal or inability to perform its responsibilities in an efficient and businesslike manner, either the Authority or the Owner shall have the right to withhold or suspend the Agent's compensation subject to the following conditions:

a. The Agent shall be given written notice of the default. The Agent shall have thirty (30) calendar days from the date of the receipt of the notice to cure the default. The failure to cure or take all necessary steps to obtain a cure during the 30-day period following receipt of the notice shall entitle the Authority or the Owner to withhold or suspend the Agent's compensation. However, in cases of emergency (including, but not limited to, situations endangering the health and safety of the tenants, serious danger to property, or misuse of Development funds) or where good cause for termination exists, the 30-day notice shall not be required in order to withhold or suspend the Agent's compensation.

b. If the Agent's compensation is withheld or suspended as provided above, such withholding or suspension shall continue until the Agent corrects or takes all necessary steps to cure the default, as determined in the discretion of the Authority and the Owner, at which point the Agent's compensation will be reinstated. If the Agent's compensation has been withheld, the Agent shall lose its right to recoup any compensation that has been withheld; but the Agent will have the right to recoup any compensation that has been suspended (and not withheld) once the default giving rise to the suspension has been cured.

15.5 The remedies described in Section 15.4 are in addition to and are not limited in any way by any other remedy available to the Authority or the Owner under this Agreement.

## Section 16. Termination.

16.1 It is expressly understood and agreed by and between the parties hereto that either the Owner or the Authority shall have the right to terminate this Agreement without cause, and without penalty, on thirty (30) days' advance written notice to the Agent. In the event of a termination under this subsection, the Owner or the Authority will promptly send written notice to the other of its action to terminate.

16.2 It is expressly understood and agreed by and between the parties hereto that the Owner or the Authority shall have the right to terminate this Agreement immediately for good cause, upon notice to the Agent and without penalty. Good cause shall include, but is not limited to, the voluntary or involuntary bankruptcy of the Agent; the commission of fraud or other malfeasance by the Agent or its employees or agents; the intentional commission of (or omission leading to) a material default under this Agreement, the Mortgage or the Regulatory Agreement by the Agent or its employees or agents; or the commission of criminal acts or the threat of criminal acts on the part of the Agent or its employees or agents. In the event of immediate termination for good cause, written notice of the termination shall be sent promptly to all parties.

16.3 In the event a petition in bankruptcy is filed by or against the Owner, the Owner makes an assignment for the benefit of creditors to take advantage of any insolvency law; or the Owner is in default of its obligations under the Mortgage or the Regulatory Agreement, the Authority may immediately terminate this Agreement upon written notice to the Owner and Agent.

16.4 The Agent will have the right to terminate this Agreement without cause on sixty (60) days' advance written notice to the Owner. In the event of a termination under this subsection, the Agent will also send notice to the Authority of its action to terminate.

16.5 Within thirty (30) days after termination, the Agent shall submit an accounting of the operations of the Development and after the parties have accounted to each other with respect to all matters outstanding as of the date of termination, the Owner shall furnish the Agent with reasonable security, satisfactory to the Agent, against any outstanding obligations or liabilities which may have been incurred hereunder.

16.6 In the event of termination, all books, records and documents pertaining to the Development in the actual or constructive possession of the Agent shall be delivered into the possession of the Owner within thirty (30) days of termination. Such books, records and documents are considered to be the property of the Owner and the Development and shall include, but are not be limited to, the following:

- Architectural Plans and Specifications
- As-Built Surveys
- Guaranties and Warranties Pertinent to the Construction of the Development
- Operating Statements
- Tenant Ledger Cards
- Tenant Files, Preliminary Applications and Certifications
- Bank Statements, Deposit Tickets, Canceled Checks
- Accounts Payable and Receivable Records
- Tenant Leases
- Ongoing Contracts for Which Performance Is Continuing or Has Not Been Rendered
- All Authority policies and rules applicable to the Development

The Owner shall provide the Agent with reasonable access to the above documents during regular business hours solely for the purpose of enabling the Agent to complete any final audits, financial statements or tax returns of the Agent.

16.7 The Owner, the Agent and the Authority reserve the right to pursue those remedies stated in this Agreement and those prescribed by law or in the Act for violation of this Agreement. As to a violation under this subsection, these remedies include, but are not limited to, withholding or suspending any unpaid compensation or the institution of legal action for specific performance to obtain the physical return of the above documents.

16.8 It is understood and agreed that no liability shall attach to the Authority in the event of termination of this Agreement pursuant to this Section.

**Section 17. Change in Ownership or Control of Agent.** The Agent shall not assign or sell any of its rights, obligations or duties under this Agreement without the prior written approval of the Owner and the Authority. Within the meaning of this Section, an assignment or sale shall include one or more sales or transfers by operation of law or otherwise by which a controlling interest in the Agent shall be vested in a party or parties who are not shareholders, members or partners of the Agent as of the date of this Agreement. The Agent represents that as of the date hereof the following persons constitute all the shareholders, members or partners of the Agent, holding the percentages of ownership set forth opposite their names:

| <u>NAME</u> | <u>PERCENTAGE</u> |
|-------------|-------------------|
|-------------|-------------------|

To the extent that any interest in the Agent is owned by a corporation, limited liability company or partnership entity, the identity and percentages of ownership of the entity must also be disclosed.

**Section 18. Liability Insurance; Indemnification.** The Agent will carry and maintain in force, at its own expense, liability or errors and omissions insurance in the minimum amount of \$100,000. The Agent agrees to indemnify and hold the Owner harmless from any and all claims, demands, liability, loss, cost or expense arising out of or in any way connected with any acts or forbearances of the Agent or its employees or agents, that arise out of matters outside the scope of the Agent's authority under this Agreement, or that involve or arise out of the gross negligence or willful misconduct of the Agent or its employees or agents. The Owner agrees to indemnify and hold the Agent harmless from any and all claims, demands, liability, loss, cost or expense arising out of or in any way connected with the performance by the Agent of its duties and obligations within the scope of this Agreement, but excluding any claims, demands, liability, loss, cost or expense arising out of the Agent's gross negligence or willful misconduct. The indemnities contained in this Section shall survive the termination of this Agreement with respect to any act or occurrence preceding such termination.

**Section 19. Authority as Final Arbitrator.** The Authority shall be the final arbitrator of all unresolved disputes between the Owner and Agent and the parties hereto agree to abide by the decision of the Authority. To the extent possible, the arbitration shall be conducted in accordance with the then applicable rules of the American Arbitration Association. Any such decision by the

Authority shall be enforceable in a Michigan court of competent jurisdiction. The Authority may withdraw or delegate its role as arbitrator, or may waive this requirement to arbitrate in its entirety if the Authority deems it is in all the parties' interests to do so.

**Section 20. Agreement Subject to Rights of Authority.** This Agreement, which is made subject and subordinate to all rights of the Authority, including those as the mortgagee under the Mortgage, shall inure to the benefit of and constitute a binding obligation upon the parties hereto, their successors and assigns, and to the extent that it confers rights, privileges and benefits upon the Authority the same shall be deemed to inure to its benefit, in the same manner and with the same force and effect as though the Authority was a party to this Agreement.

**Section 21. Entire Agreement.** This Agreement shall constitute the entire agreement between the parties, and no variance or modification of Agreement shall be valid and enforceable, except by written amendment, or by an Addendum on MSHDA Forms M&R 401A or 401B, executed by the parties and approved by the Authority in the same manner as this Agreement.

**Section 22. Actions on Behalf of the Authority.** Except as otherwise provided herein, the following officers of the Authority are authorized to give any approval or notice or take any action on behalf of the Authority in connection with the administration of this Agreement: the Executive Director, the Deputy Director, the Director of Finance, the Director of Legal Affairs, and the Director or Deputy Director of Management and Reinvestment. The term "Authorized Officer of the Authority" refers to the foregoing employees of the Authority when acting within the scope of their authority.

**Section 23. Execution in Counterparts.** For the convenience of the parties, this Agreement may be executed in several counterparts, which are in all respects similar and each of which shall be deemed to be complete in itself so that any one may be introduced in evidence or used for any other purpose without the production of the other counterparts.

**Section 24. Consent of Authority.** This Agreement and any amendments to it, including any terms for Agent compensation, shall not be effective until the written approval of an Authorized Officer of the Authority is indicated on the signature page.

**Section 25. Severability.** If any clause, provision or section of this Agreement is found to be invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or section.

**Section 26. Applicable Law.** This Agreement shall be governed by and construed in accordance with Michigan law.



Section 27. Effective Date. The Effective Date of this Agreement shall be the date established by an Authorized Officer of the Authority in Section 14.1.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their authorized representatives on the date shown above.

DEVELOPMENT NAME:

OWNER:

\_\_\_\_\_

MSHDA NO.: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

AGENT:

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

The foregoing Agreement and Management Agent are approved.

MICHIGAN STATE HOUSING DEVELOPMENT  
AUTHORITY

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**MICHIGAN DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
735 EAST MICHIGAN AVENUE  
LANSING, MI 48917**

**CERTIFICATION OF OWNER AND MANAGEMENT AGENT**

\_\_\_\_\_(the "Owner") and  
\_\_\_\_\_(the "Agent") do certify  
through \_\_\_\_\_  
(Owner Representative)  
and, \_\_\_\_\_ their duly  
appointed \_\_\_\_\_  
(Agent Representative)  
\_\_\_\_\_(Owner Rep. Title) and, \_\_\_\_\_(Agent Rep. Title)  
that pursuant to the Management Agreement between Owner and Agent dated  
\_\_\_\_\_ and approved by the Michigan State Housing  
Development Authority that:

1. The Management Agreement fully set forth the services to be rendered by the Agent in the performance of its management functions for the Owner, for Authority Development # \_\_\_\_\_, \_\_\_\_\_ (the "Development").
2. The names of all those personnel to be assigned to the Development by the Agent to assist in carrying out its management functions are those set forth in section 7.3 of the Management Agreement.
3. The budget of the Development is that amount which has been projected by the Owner, the Agent, and the Authority as that amount needed to meet only the approved expenditures as set forth in the line items of the budget, as approved by the Authority.
4. The compensation of the Agent as set forth in Section 15.1 and 15.2 of the Management Agreement is given by the Owner in payment of only those services set forth in the Management Agreement.
5. The Owner is receiving no part of the management fee, nor any other compensation, contribution or payment of any nature from the Agent without the prior written approval of MSHDA's Director of the Office of Asset Management.
6. All accounts and records for the Development and tenants' security deposits shall be kept by the Agent separate and apart from those of the Owner with reports to be given to the Authority pursuant to the mortgage loan documents.

The Agent further certifies that the following list of officer(s) of its firm are also connected or affiliated with \_\_\_\_\_, the General Contractor for the Development.

| <u>Name</u> | <u>Relationship with Owner</u> | <u>Relationship with General Contractor</u> |
|-------------|--------------------------------|---|
|-------------|--------------------------------|---|

\_\_\_\_\_  
(Management Agent)

\_\_\_\_\_  
(Owner)

By:\_\_\_\_\_

By:\_\_\_\_\_

Its:\_\_\_\_\_

Its:\_\_\_\_\_

By:\_\_\_\_\_

By:\_\_\_\_\_

Its:\_\_\_\_\_

Its:\_\_\_\_\_

**APPROVED:**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

By:\_\_\_\_\_

Its:\_\_\_\_\_

DATED:\_\_\_\_\_

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**MSHDA DEVELOPMENT #**

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS** that  
\_\_\_\_\_, a Michigan \_\_\_\_\_ does  
hereby appoint  
and  
acting of behalf of \_\_\_\_\_ its  
true and lawful attorney in fact to execute all residential leases, in proper and requisite form as  
approved by an authorized officer of the Michigan State Housing Development Authority, and on its  
behalf for real property known as \_\_\_\_\_ situated in  
\_\_\_\_\_, County of \_\_\_\_\_.

**IN WITNESS WHEREOF**, the \_\_\_\_\_ has  
caused this instrument to be signed by its duly authorized representative this \_\_\_\_\_ day of  
\_\_\_\_\_, 20\_\_\_\_\_.

**WITNESS:**

(name of owner)

\_\_\_\_\_

By:

\_\_\_\_\_

Its:

**STATE OF MICHIGAN)**  
**)** **SS.**  
**COUNTY OF )**

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_ before me  
appeared  
\_\_\_\_\_to me personally known, who being by me duly sworn, did say that s/he is the  
\_\_\_\_\_ of  
\_a \_\_\_\_\_, and that said instrument was signed on  
behalf of said \_\_\_\_\_ by authority of its  
and said \_\_\_\_\_ acknowledge said instrument to be the free act and  
deed of said \_\_\_\_\_.

This instrument drafted by:

Notary Public  
County of  
State of Michigan  
My Commission Expires:

## MEMORANDUM

February, 1999

**TO:** Management Agents Processing New Multi-Family Proposals

**FROM:** Patricia A. Baines Lake

**SUBJECT:** Initial Marketing Fees

The Office of Asset Management graduated marketing fee system seeks to:

- a. Encourage owners and managing agents to commence marketing activities early
- b. Provide incentives to managing agents to market target groups early in the marketing process
- c. Moderate the need to grant waivers of marketing requirements in the late stages of lease-up and
- d. Address the cost differences associated with initial marketing to the groups listed below

MSHDA reviewed actual marketing information and cost data for a number of its recently completed developments to establish these fees:

| Time Periods From Initial Release of Units |           |            |          |
|--|-----------|------------|----------|
| Type of Housing                            | 0-30 Days | 31-60 Days | 61 Days+ |
| Target Group (Barrier Free)                | \$500     | \$250      | \$100    |
| Congregate                                 | \$400     | \$300      | \$200    |
| Family                                     | \$200     | \$150      | \$100    |
| Elderly                                    | \$200     | \$150      | \$100    |

Note: MSHDA's EEO Officer will identify the number of the Target Group (Barrier Free Units) for your development.

When determining the amount of fees the marketing agent is eligible to receive, the following criteria must be followed:

### **FIRST**

The maximum fee for initial marketing is determined by negotiations between the Management/Marketing Agent and Owner. However, in no event shall reimbursement from the development's residual receipts exceed the levels set forth in the schedule above.

## **SECOND**

The maximum fee amount in each category is based on the number of days that have elapsed from the initial release of the unit. This time period is calculated as the number of days elapsed between the Authority occupancy permit date and the date the lease is signed and all required up-front money is collected. When requesting marketing fees, documentation supporting this calculation must be submitted along with the construction draws.

### **CONGREGATE DEVELOPMENT EXAMPLE**

| <b>TYPE<br/>UNIT</b> | <b>DATE ON<br/>OCCUPANCY<br/>PERMIT</b> | <b>DATE LEASE SIGNED,<br/>SECURITY DEPOSIT AND<br/>ALL OTHER REQUIRED<br/>FUNDS COLLECTED</b> | <b>DAYS<br/>ELAPSED</b> | <b>MAXIMUM<br/>ELIGIBLE<br/>FEE</b> |
|----------------------|---|---|-------------------------|-------------------------------------|
| A-52                 | 10-15-98                                | 11-13-98  | 29                      | \$400                               |
| A-53                 | 11-20-98                                | 01-09-99  | 59                      | \$300                               |

## **THIRD**

The following funding sources may be used for the payment of initial marketing fees:

- a. Mortgage proceeds if authorized by the mortgage commitment documents
- b. Residual Receipts, if available, and
- c. The owner's funds

This system can be implemented immediately on new developments which have not yet initial closed. Owners and agents of developments already initial closed which are still in rent-up may renegotiate fees. A revised Marketing Agreement utilizing the new graduated fee for those units not leased must be submitted by March 25, 1999.

Attachment: Marketing Agreement

cc: Director, Multifamily Division  
All AM's

**MICHIGAN DEPARTMENT OF CONSUMER  
AND INDUSTRY SERVICES**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
735 East Michigan Avenue  
Lansing, MI 48912**

**MARKETING AGREEMENT  
(Rental)**

In consideration of the terms, conditions and covenants set forth in this Agreement, Owner and Agent agree as follows:

1. Definitions: As used in this Marketing Agreement
  - a. "Authority" shall mean Michigan State Housing Development Authority, a public body corporate and politic established pursuant to Act No. 346 of the Public Acts of 1966 as amended.
  - b. "Development" shall mean the real property commonly known as, \_\_\_\_\_, MSHDA Development No. \_\_\_\_\_, and located at \_\_\_\_\_, Michigan and the improvements, buildings, appurtenances, and equipment located on the real property, including dwelling units, garage space to be rented and square feet of commercial space.
  - c. "Initial Rent-up" shall mean the period prior to the time when occupancy of dwelling units in the Development first achieve ninety-five percent (95%).
  - d. "Lease" shall mean the Model Lease (Legal Form No. 066) or such other form of lease as shall have been approved in writing by Owner and Authority, pursuant to which Owner has agreed to let and Tenant has agreed to accept the dwelling unit identified in the Lease in accordance with the terms of the Lease.
  - e. "Regulatory Agreement" shall mean the Regulatory Agreement executed by the Owner and the Authority pertaining to the Development.
  - f. "Rent" shall mean that monthly amount which Tenant is obligated to pay Owner pursuant to the terms of the Lease.
  - g. "Tenant" shall mean a person or family occupying a dwelling unit in the Development pursuant to the Lease.
2. Appointment and Acceptance: Owner appoints Agent as exclusive agent for the marketing of the Development, and Agent accepts the appointment, subject to the terms and conditions set forth in this Agreement.
3. Regulation by Authority: Agent acknowledges receipt of the Regulatory Agreement, has evidenced by the initials of the Agent's representative on a copy of same and the exhibits to the Regulatory Agreement, on or prior to the date of execution of this Agreement, and certifies to Owner and Authority that, as Agent, it shall undertake and perform all of Owner's duties and responsibilities under this Agreement in compliance with the terms of the Regulatory Agreement, Management Agreement, and Management and Marketing Plan.

4. The Marketing Plan and Factors: The Marketing Plan, as approved by Owner and Authority, (the "Plan" and the Marketing Agent Evaluation Factors (the "Factors") are attached to this Agreement as Exhibits A and B, respectively, and are hereby incorporated and made a part hereof. Agent agrees to comply with all applicable provisions of the Plan and the Factors, regardless of whether specific reference is made to the Plan and the Factors in any particular provision of this Agreement.
5. Market Activities. Agent agrees that the implementation of specific actions in fulfillment of its duties as set forth in the Plan and this Agreement, including, but not limited to, advertising, promotion and staffing, are subject to the prior review and approval of Owner and Authority. Agent shall carry out the market activities prescribed in the Plan observing all requirements of the Regulatory Agreement, and the Authority approved Affirmative Fair Housing Marketing Plan and all Fair Housing and Equal Opportunity requirements. Marketing expenses incurred by Agent on behalf of Owner shall be paid by Owner.
6. Liaison with Architect and General Contractor. During the construction phase of the Development, Agent shall consult with Owner in order to coordinate marketing concerns as construction of the Development progresses.
7. Duties of Agent. In accordance with the terms and conditions of the Regulatory Agreement, the Management Agent, the Plan and this Agreement, the Agent shall use all reasonable means available to cause the Development to be substantially occupied by qualified Tenants 120 days after release by the General Contractor of the last unit for occupancy. "Reasonable means" shall include, but no be limited to:
  - a. Commence diligent marketing activities no longer than 90 days prior to the anticipated date of availability for occupancy of the first unit of the Development.
  - b. With respect to non-elderly family units, the Agent will undertake marketing activities in advance of marketing to other prospective Tenants in order to provide opportunities to reside in the project to non-elderly families who are:
    - i. Least likely to apply as determined in the Affirmative Fair Housing Marketing Plan, or
    - ii. Expected to reside in the community by reason of current or planned employment.
  - c. The agent will lease all units to families and/or individuals with income limits pursuant to the development's program requirements.
  - d. Cooperate with Owner and the Management Agent for the Development to coordinate the marketing functions with the management functions under the respective Marketing and Management Agreements for the Developments.
  - e. Supervise, coordinate and maintain a lease office, and, if required, model dwelling units, which office and model dwelling units shall be provided and equipped by Owner at the site of the Development. Order and place equipment and furnishings in models and/or rental office arrange for cleaning of these facilities.



- f. At all times have sufficient qualified personnel present at the Development for the full and efficient performance of its duties under this Agreement, including physical presence of responsible persons as such times as the rental office is open for business, which office shall be open during Initial Rent-up not less than \_\_\_\_ hours per week in accordance with a schedule to be provided by the Agent in connection with the Plan. Upon written notice to and approval by the Owner and Authority, Agent may increase or decrease the number of on-site personnel and/or the number of hours or times the rental office is open and/or location of the rental office.
- g. Supervise and coordinate production and/or placement of advertisements as described in the Plan.
- h. Inspect all apartments prior to occupancy and prepare certifications in form and substance acceptable to the Authority indicated dwelling units are ready for occupancy.
- i. Establish written Resident Selection Criteria and an Application Processing Procedure consistent with applicable state and federal laws and regulations. A copy of the Resident Selection Criteria and the Application Processing Procedure shall be posted conspicuously in the on-site rental office.
- j. If the Agent determines that an applicant is ineligible on the basis of income or family composition, or if the Agent is not selecting the applicant for other reasons, the Agent will promptly notify the application in writing such determination, and that the applicant has the right to meet with the Owner or Agent in accordance with Authority requirements.
- k. Prepare all dwelling unit leases and parking permits, if applicable, and execute the same in the Agents name, identifying on these documents that the Agent is acting on behalf of the Owner. The terms of all leases shall comply with the pertinent provisions of the Regulatory Agreement, Management Agreement and the Authority regulations and shall be in a form approved by the Owner and the Authority. Individual dwelling unit leases need not be submitted for the approval of Owner and the Authority provided the same comply with the terms and provisions of the lease, as defined in this Agreement.
- l. Prepare and verify eligibility certifications and recertification for execution by prospective tenants in accordance with the Regulatory Agreement, Management Agreement and Authority regulations.
- m. Negotiate commercial leases and concession agreements, subject to prior approval by Owner and Authority of all terms and conditions, and execute the same in its name, identifying on such agreements that the Agent is acting on behalf of the Owner. Commercial rents for the development shall not be less than the minimums that are, from time to time, approved by Owner and Authority/
- n. At the time of the initial execution of a lease, the Agent will collect a security deposit from each Tenant in compliance with state law and Authority requirements. The Agent must place any security deposits collected in a segregated trust account which indicates the custodial nature of the account in a bank or other financial institution located within the State of Michigan whose deposits are insured by an agency of the Federal Government, or the Agent may deposit with the Secretary of State, a cash bond or surety bond

o. Perform such other acts and deeds requested by Owner or Authority, as are reasonable, necessary and proper in the discharge of Agent's duties under this Agreement.

- Agent agrees to deposit on a daily basis all monies collected or received from applicants and tenants for security deposits of rents into the appropriate bank accounts identified above, which will have been established by the Management Agent, in a manner approved by Owner and Authority.

- MSHDA MGMT 424  
12//88; 4/99; 11/01

- b. Agent shall furnish and maintain, at the Development's expense for the duration of this Marketing Agreement and any renewals or extensions of this Agreement, plus one year after the expiration or termination of this Agreement, a blanket fidelity bond in favor of Owner, in an amount not less than two month's gross potential rents for the Development and in a form and with a company acceptable to Owner and Authority which blanket fidelity bond shall cover Agent and all employees hired by Agent in connection with this Agreement.

14. Records, Reports and Forms:

- a. Agent shall maintain a filing system which contains, at a minimum the following information and documents for each Tenant: (i) copy of the completed Authority Application Form No.\_\_\_\_; (ii) record of receipt of application fee including amount and date received; (iii) copy of credit report and invoice for same; (iv) copies of any other additional verifications received; (v) indication of Authority disposition; (vi) copy of notice of acceptance or rejection; (vii) executed copy of lease in a form approved by the Authority; (viii) completed Security Deposit Inventory Checklist; (ix) completed Authority-required Inspection Sheet; and (x) record as to amount and date security deposit was received. Similar files shall be maintained for all applicants who are rejected during the application process. These files will contain at a minimum items (i), (ii), and (vi) and shall also include such additional information and/or materials as were completed or submitted during processing prior to rejection. All files concerning the applicants and tenants shall be maintained for a period of three years following approval or rejection
- b. In addition to specific tenant application files, Agent shall maintain on-site or such other location as may be approved by the Owner and Authority, the following: (i) a current waiting list (updated monthly); (ii) a general ledger compiled daily recording all receipts; (iii) monthly Authority marketing report; (iv) copy of contract or fee schedule from applicable credit reporting agency; (v) copy of the most recent monthly statement(s) or billing(s) from credit reporting agencies; and (vi) all addition reports and form required in subparagraph (c.) below.
- c. Agent shall prepare and submit in a manner and time satisfactory to Owner and Authority all forms and reports required by Owner and Authority.
- d. Agent agrees that representative of Owner and Authority shall have full and free access, during work hours, to all such records and books of account of the Development, including the right to make photo static copies of, or excerpts or transcriptions from such records and books of account and related supporting documents and statements (including but not limited to bank statements, checks paid by banks and check stubs).

15. Accounting System. Agent shall establish and maintain an accounting system acceptable to the Owner and the Authority which shall include:

- a. Current records as to all receipts, including without limitation, application fees, security deposits, monthly rentals and those obtained from all other sources.
- b. Current records as to all disbursements, including, without limitation, marketing expenses and marketing commissions

16. Compensation. For services rendered under this agreement, the Agent shall receive the following compensation for each unit successfully leased. To qualify as having successfully leased a unit, the Agent must have a signed lease and must receive all funds required prior to occupancy (application fee, first month's prorated rent plus security deposit) and the tenant must meet the Authority's Resident Eligibility Standards.
- a. The Owner agrees to pay the Agent a(n) \_\_\_\_\_  
(Congregate, Elderly, Family)  
marketing fee equal to \$\_\_\_\_\_ for each unit successfully leased as its marketing compensation for services performed under this agreement and additional fee in the amount of \$\_\_\_\_\_ for each nit successfully leased to a Barrier Free Eligible Household during the period of time commencing on the date of Initial Release and ending 30 days after.
  - b. The Owner agrees to pay the Agent a(n) \_\_\_\_\_  
(Congregate, Elderly, Family)  
marketing fee equal to \$\_\_\_\_\_ as its marketing compensation for services performed under this agreement and a fee in the amount of \$\_\_\_\_\_ for the Barrier Free Eligible Households for the period of time commencing 31 days after Initial Release and ending 60 days after date of Initial Release.
  - c. The Owner agrees to pay the Agent a(n) \_\_\_\_\_  
(Congregate, Elderly, Family)  
marketing fee equal to \$\_\_\_\_\_ as its marketing compensation for services performed under this agreement and a fee in the amount of \$\_\_\_\_\_ for the Barrier Free Eligible Households for a period of time commencing 61 days after the Initial Release until all remaining units have been marketed.
17. Expiration, termination and Accounting upon Termination:
- a. Unless, canceled pursuant to subparagraphs (b), (c), (d) or (e) below, this Agreement shall be effect from the date of execution by Owner and Agent and approval by Authority and until ninety-five percent (95%) sustained occupancy has been achieved.
  - b. This Agreement may be terminated upon the mutual written consent of Owner, Agent and Authority.
  - c. In the event that Agent shall fail to perform any of its duties under this Agreement or to comply with any of the provisions of this Agreement, Owner may terminate this Agreement upon ten day's advance written notice to Agent and Authority.
  - d. In the event a petition of bankruptcy is filed by or against Agent or in the event Agent makes an assignment for the benefit of creditors or takes advantage of any insolvency act. Owner may terminate this Agreement without notice to Agent, but shall promptly advise Authority of such action.
  - e. It is expressly understood and agreed between Agent and Owner that Authority shall have the right to terminate this Agreement, with or without cause, on ten days advance written notice to Owner and Agent, except that in the even of a default of Owner under the Regulatory Agreement, the Authority may terminate this Agreement immediately upon issuance of a notice of termination, except for Agent's compensation to the date of such

termination, except for such liability as may exist under this agreement or arising out of acts or obligations predating the date of such determination.

- f. Within fifteen days after the termination of this Agreement, Agent shall submit to Owner and Authority a final accounting of all funds received by it to the date of such termination, and after Agent and Owner have accounted to each other with respect to all matters outstanding as of the date of termination, Owner shall furnish Agent security, in form and amount reasonably satisfactory to Agent, against any obligations or liabilities which Agent properly incurred pursuant to the terms of this Agreement on behalf of owner.
- g. In the event the Agent is terminated, then any and all books, records and documents pertaining to the Development in the actual constructive possession of the Agent shall be immediately delivered into the possession of the Owner. Such books, records, and documents are considered to be the property of the Development and shall include, but not limited to, the following:
  - i. Architectural plans and specifications;
  - ii. Guarantees and warranties pertinent to the construction of the development;
  - iii. Operating statements;
  - iv. Excess income reports;
  - v. Tenant ledger cards
  - vi. Tenant Files and preliminary applications;
  - vii. Bank statements, deposit tickets, canceled checks; and
  - viii. Account payable and receivable records.

The owner shall provide the Agent with reasonable access to these documents during regular business hours solely for the purpose of enabling the Agent to complete any final audits, financial statements or tax returns

The Owner and Authority reserve the right to pursue the remedies stated in this Agreement and those prescribed by law or in the Act for violation of this Agreement. As to a violation of this subparagraph these remedies include, but are not limited to, withholding any unpaid compensation due the Agent until compliance or any legal action designed to obtain the physical return to the above documents.

- 18. Assignment. This Agreement shall insure to the benefit of and constitute a binding obligation upon Owner and Agent and their respective successors and assigns; provided, however, Agent shall not assign this Agreement, or any of its duties under this Agreement, without the prior written consent of Owner and Authority.
- 19. Compliance with State and Federal Regulations. In the performance of its obligations under this Agreement, Agent shall comply with applicable state and federal regulations, including but not limited to the regulations referred to in the Regulatory Agreement, Management Agreement, and the exhibits to those Agreements including prohibiting discrimination in employment or in housing on the basis of race, color, creed, religion, national origin, sex, marital status, height, weight, handicap and age (unless with respect to a senior citizen housing program)
- 20. Affirmative Marketing. Agent agrees to develop and conduct an affirmative marketing program to include but not limited to: (a) attracting prospective residents of all minority and majority groups; (b) hiring and training of rental staff on a non-discriminatory basis; (c) participating in a community outreach program; (d)

implementing the Affirmative Fair Housing Marketing Plan; and (e) attracting qualified handicapped residents.

- 21. Subordination of Marketing Agreement. Owner and Agent each acknowledge that this Agreement is subject and subordinate to the Regulatory Agreement, the Regulatory Agreement shall prevail and control.
- 22. Partial Invalidity. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions of this Agreement.
- 23. Amendment. This Agreement together with Exhibits A and B constitute the entire agreement between Owner and Agent and no amendment or modification of these documents shall be valid or enforceable except by supplemental agreement, in writing, executed by the parties to this Agreement and approved by the Authority.
- 24. Execution of Counterparts. For the convenience of the parties, this Agreement has been executed in multiple counterparts, each which shall constitute a complete original of this Agreement which may be introduced in evidence or used for any other purpose without the production of any other counterparts.

IN WITNESS WHEREOF, the parties have executed this Agreement on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
("Owner")

By:\_\_\_\_\_

Its:\_\_\_\_\_

\_\_\_\_\_  
("Agentr")

By:\_\_\_\_\_

Its:\_\_\_\_\_

This Agreement and the Agent appointed in this Agreement are approved as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY:

By:\_\_\_\_\_

Its:\_\_\_\_\_